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China Report

ECONOMIC AFFAIRS



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NATIONAL POLICY AND ISSUES

CONFERENCE ON SUN YEFANG'S ECONOMIC THOUGHT

HK201420 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 11, 20 Nov 83
pp 22-28

[Article by the Secretariat of the conference on Sun Yefang's economic theory:
"Summary of the Symposium on Sun Yefang's Economic Thought"]

[Text] The Economic Research Institute of the Chinese Academy of Social Sciences and the Editorial Department of JINGJI YANJIU jointly held a symposium on Sun Yefang's economic theory in Wuxi, the hometown of the late Comrade Sun Yefang, from 16 to 23 September 1983. There were a total of 211 participants from 28 provinces, municipalities, and autonomous regions across the country and they included economic theoretical workers, economic workers, enterprise leading cadres, representatives from news and publication units, and Sun Yefang's friends. The conference received 83 papers. A letter from Bo Yibo, vice chairman of the Advisory Commission of the CPC Central Committee, to the symposium was read.

The conference was held according to the behest of Sun Yefang, who wrote in his last words: "I do not oppose the holding of a meeting by the old colleagues in the Economic Institute to discuss or criticize my economic viewpoints. I hope that the viewpoints which are considered correct by all will be disseminated. At the same time, I also hope that the viewpoints which are lopsided or even wrong will be bluntly criticized so as to avoid having them adversely affect society." The participants based themselves on the spirit of seeking truth from facts and the principle of letting a hundred schools of thought contend and they freely commented on Sun Yefang's economic theory. They fully affirmed the contributions he made in theory and conscientiously discussed part of his theory about which they held differing views.

I.

The participants warmly praised Sun Yefang, who devoted the whole of his life to tirelessly and persistently disseminating and developing Marxist economic science for the interest of China. They also spoke highly of the outstanding contributions he made in criticizing the theory of natural economy and the theory of will, in probing into the new system of socialist political economics, and in advocating the restructuring of the economic mechanism in China.

Sun Yefang took the major theoretical and actual problems of the revolution and construction in China as the subjects of his study of economics. Combining basic Marxist principle with the specific conditions in the country, he carried out the study profoundly. He was daring in creating new things, and in his challenge to the wrong traditional theory, he at last formed a complete socialist economic theoretical system that is different from the traditional economic theory. This complete theoretical system is closely linked with his active advocacy of restructuring the economic mechanism. Sun Yefang was the first in China to sensitively find and expose the defects of the national economic management system that is formed on the basis of the mode of the national economic management system of the Soviet Union. Consequently, he suggested the restructuring of national economic management in China. In his effort to restructure the national economic mechanism, he wrote an article which shocked the economic theory sector; an article entitled: "Put Plans and Statistics on the Basis of the Law of Value." At the end of 1982, he wrote the last article in his life--"There Are Not Only Political Guarantees But Also Technical and Economic Guarantees for Quadrupling Production Output Value in the Next 20 Years"--and this article won praise from leading comrades of the CPC Central Committee. He wrote theses and study reports totaling almost one million characters to systematically and scientifically prove in theory the necessity of restructuring the economic mechanism. He also put forth complete profound theoretical viewpoints and suggestions for the restructuring. Practice proved that a number of the viewpoints insisted upon by Sun Yefang and his advocacy of the restructuring do accord with basic Marxist principles and are in line with the program of the CPC for the building of socialism. These viewpoints and suggestions are of important practical significance in promoting the socialist modernization program in China. They represent the greatest contributions made by Sun Yefang throughout his life.

II.

The participants are of the opinion that during this new period in which the whole party and the people throughout the country are working hard to materialize the economic development strategic goal by the end of this century as put forth by the 12th CPC National Congress, it is imperative for economic circles to widely disseminate the economic viewpoints of Sun Yefang that have been proved correct in practice and to use these viewpoints in the practice of realizing the socialist modernization program. These important viewpoints include such aspects as that socialist economic construction must be carried out according to the principle of using the minimum social labor consumption to produce the maximum amount of products in a planned way so as to meet the needs of society; that the key question in restructuring the economic mechanism is to correctly handle the relations between the state and enterprises; that the rate of capital profit represents an overall standard for checking the business and management results of enterprises, and that the question of circulation represents the key of the socialist planned economy.

First to use as little social labor consumption as possible and produce the maximum amount of products in a planned way to meet social needs represents the highest standard for the socialist economic construction.

The participants came to know that as early as more than 20 years ago, Sun Yefang penetratingly exposed the defects of the economic construction in China, shown in serious waste and low efficiency. He pointed out sharply that in the economic construction in China, "the most serious problem is only to pay attention to expenditures without giving consideration to results, or only to pay attention to results without giving consideration to expenditures." And the theoretical reason for this situation is that the popular socialist economic theory denies abstract labor and the necessary social labor. Consequently, the practice of "not being concerned about costs and profits and losses" has been considered as "perfectly justified" for socialism and as a "due boldness of vision for socialist construction." Sun Yefang held that the secret of all forms of economy is how to achieve the useful maximum results with as little labor consumption as possible. Under socialist conditions, it means that our economic work is aimed at producing the maximum amount of products sufficient to meet social needs with the minimum social labor consumption (Sun Yefang often termed this theory as "the smallest and the biggest.") Yet under the guidance of the incorrect "leftist" ideology, the economic work in China opposed paying attention to the smallest and the biggest and opposed paying attention to economic results. As a result, the economic work changed into its opposite, being characterized by the biggest and the smallest (to achieve the minimum useful results with maximum labor consumption). Sun Yefang's viewpoint of "the smallest and the biggest" was treated as a "black line" that opposed the theory of "class struggle as the key" and was subjected to criticism across the country. But practice proved that his viewpoint is correct. At present, the CPC has clearly defined improvement of economic results as the basic guiding principle for the socialist economic construction. In his political report to the 12th CPC National Congress, Comrade Hu Yaobang pointed out: We "must shift all economic works onto the road of improving economic results as the center." Comrade Zhao Ziyang also said: "In our effort of paying attention to economic results, we must first of all define an important viewpoint; that is to say, we must turn out more products that are needed by society with as little living labor consumption and material consumption as possible."

The participants are of the opinion that before we are able to grasp Sun Yefang's principle of "the smallest and the biggest," it is imperative to strengthen the building of economic science and eradicate the bad influence of the theory of the natural economy and the theory of will on the theory of the socialist economy. Sun Yefang pointed out that it was imperative in all economic works to compare labor consumption with useful results, calculate labor productivity, calculate necessary social labor, and calculate investment results. All these represent the core of the law of value in the socialist planned economy.

The participants are of the opinion that in order to be able to use Sun Yefang's principle of "the smallest and the biggest," it is imperative to restructure the current planning system and pay attention to the roles of the law of value in economic planning work. Sun Yefang pointed out as early as more than 20 years ago: "This planning system originated from the Soviet Union and was formed under the ideological guidance of the natural economy." This planning system does not represent the law of value, nor does it accord with the requirement of paying attention to economic results.

The participants are of the opinion that before we are able to implement Sun Yefang's principle of "the smallest and the biggest," it is imperative to strengthen statistical work. This is because without strict and scientific statistical report forms and an accounting supervisory system, it is impossible to improve the economic results of the economic planning work. Consequently, Sun Yefang stressed time and again the importance of restructuring the statistical system, perfecting statistical rules and regulations, and setting up a centralized and unified vertical statistical system so as to put statistics under state examination and supervision and guarantee the independence of statistics.

The participants held that to achieve the maximum useful results with the minimum labor consumption represents an ancient and simple economic principle. This principle was also once affirmed by Marx. Sun Yefang added new elements to this principle under the socialist historical conditions. These new elements include that the advantages of the socialist economy with public ownership must be shown in [word indistinct] improvement of economic results, that the final goal of restructuring the socialist economic mechanism is also to raise economic results, and that "the smallest and the biggest" is a criterion for measuring the results of socialist economic work. Sun Yefang's concept of "the smallest and the biggest" is different in principle from the concept of "the smallest and the biggest" of the bourgeois economics. Sun Yefang's principle of "the smallest and the biggest" is in fact based on the distribution of social labor in a planned way according to social need and the law of saving time so as to fully and effectively make use of living labor and material labor in realizing the goal of socialist production. These elements of the principle were once expounded by Marx. The principle of "the smallest and the biggest" of the bourgeois economics is based on the law of surplus value, and its purpose is to enable capitalists to wrest the maximum surplus value with as little capital as possible.

Second, the key of the restructuring of the economic mechanism is to correctly handle the relations between the state centralized leadership and the independent business management of enterprises.

The participants came to know that Sun Yefang pointed out in the early 1960's: "The key question of a financial management system includes the powers and responsibility of the enterprises as independent accounting units and the relations between these enterprises and the state." In addition, he based himself on the Marxist principle of reproduction and put forth a simple limit for economic quantum for correctly handling the relations between the state and enterprises. This limit includes simple reproduction and the expansion of reproduction that are determined by the magnitude of the value of capital. Sun Yefang held that all the matters within the sphere of the magnitude of the value of the original capital belong to the "small powers" of the enterprises themselves to handle. Additional investments belong to the category of the expansion of reproduction and they are for the "big powers" of the state to handle. The state should exercise strict control over all the matters that are within the sphere of the "big powers." If the state does not exercise control over such matters or the control is carried out loosely, the whole national economy will be in a chaotic state. On the other hand, it is improper for the

state to interfere excessively with the matters that belong to the "small powers" of the enterprises to manage, or else the whole national economy will be under excessively rigid control. Sun Yefang's theory of dividing powers and responsibility between the state and enterprises explicitly expounded for the first time the relations between the state and enterprises within the sphere of the socialist ownership by the whole people as the key question in restructuring the economic mechanism. In addition, Sun Yefang also sought quantum limit for the division of powers and responsibility between the state and enterprises. Theoretically, this concept is a creation. In practice, this concept is opposed to the previous economic mechanism that was characterized by dividing powers between the state and localities only; as a consequence, it has grasped the key question in restructuring the economic mechanism.

The participants in the conference held that Sun Yefang's theory of dividing powers and responsibility between the state and enterprises opposed the bureaucratism that is caused by excessively centralized powers and the anarchism that is caused by excessively scattered powers. He was of the opinion that part of the additional investments for the expansion of reproduction must be put under state unified arrangement. This is because it is only in this way that key construction projects will be guaranteed and that the scale of capital construction is controlled within the capability of the state. He also pointed out that in order to basically curtail excessive capital construction, it is imperative to balance financial power and material power. In order to realize this balance, it is necessary for construction units to sign contracts with contractors. The construction units must also sign contracts with suppliers of equipment. The construction units must also sign contracts with the units that are to sell the products. This capital construction system imagined by Sun Yefang on the basis of the contract system is yet to be tested in practice. But it is likely that it is an economic method which is more effective than the administrative method in controlling the scale of capital construction.

The participants are of the opinion that the most realistic significance of Sun Yefang's theory of dividing powers and responsibility between the state and enterprises is that this theory is in a position to step up the technical reform of the existing enterprises and to restructure the management system of fixed assets that is characterized by "duplicating antiques" and "freezing technical progress." He was of the opinion that in order to develop the economy, it is imperative to consider the restructuring of the hundreds of thousands of the old enterprises as the key work. But the old fixed assets management system has become a stumbling block for these enterprises to display their initiative. The old fixed assets management system is characterized by possessing fixed assets without compensation and encouraging scrambling for investments. This system denies invisible wear and tear of the fixed assets, with excessively long depreciation periods. With this system, it is allowed to use the depreciation fund under state centralized management to build new construction. With this system, the technical reform of the old enterprises is "frozen"; as a result, these enterprises have been compelled to "duplicate antiques." Sun Yefang pointed out that if we are able to change this outdated system and technically transform the hundreds of thousands of existing enterprises selectively and step by step, we will be in a position to develop production rapidly. These viewpoints of Sun Yefang's have been affirmed by leading

comrades from the State Council. Now the state has considered the measures to technically transform the existing enterprises selectively and step by step as an important principle for carrying out economic construction in the future.

Third, capital profit rate represents an overall standard for checking the business management results of enterprises.

Those taking part in the conference pointed out that Sun Yefang's viewpoint of considering the standard of profits as "the nose of an ox" is correct. This is because, as pointed out by Sun Yefang, socialist profits represent part of the wealth that is created by the broad masses of the workers of the material production departments in expanding social production and in meeting public needs in society. Under the condition in which prices remain unchanged, decreasing cost is completely synonymous with increasing profits. Once we are able to grasp the goal of profits, we are in a position to "lead an ox by the halter" and under this condition, many problems can be easily resolved. As long as prices are defined rationally, enterprises will be able, through reforming technology, improving management, and decreasing cost, to make increasing profits and, consequently, will be in a position to provide society with increasingly more materials and wealth.

The participants pointed out that Sun Yefang's viewpoint of taking capital profit rate as an overall standard for comparing the economy across the country is of important practical significance. According to Sun Yefang, among the departments in socialist economy, there exists a process of equalization of profits (through consciously planned arrangement and not free competition). He said: "The law of value that is formed on the basis of average necessary social labor volume and the formation of its variability; the average capital profit rate and production price that are formed on the basis of the law of value--all represent equalization, which is indispensable standards for comparing social economy." Therefore, the profit rate of capital is a criterion for assessing the results of the use of capital. For an enterprise, the more it possesses state capital, the more profit it is obliged to hand over to the state. All these views of Sun Yefang's are a powerful weapon for breaking away from the fund supply system. These views have already displayed their positive influence on the restructuring of the economic mechanism in such aspects as the change from possessing funds without compensation to possessing funds with compensation and the consideration of the amount of the funds possessed in defining the prices of various products.

Fourth, circulation is vital in organizing socialist planned economy.

The participants pointed out that over the past decades, there has existed the viewpoint of the "theory of noncirculation" both in socialist economic theory and practice. With this viewpoint, production has become divorced from demand, hindering the improvement of the socialization of production. As early as the end of the 1950's, Sun Yefang based himself on the internal needs of socialized mass production, resorted to the principle of the dual nature of products and labor, and criticized the "theory of noncirculation." He pointed out that the "theory of noncirculation" regarded the socialist economy with ownership by the whole people as a big factor, confused social division of labor with technical division of labor, replaced exchange of equal values with material rationing,

and managed the socialist socialized mass production with the method that is used in managing the self-sufficient economy. All these, he said, have damaged the economic relations of the social division of labor and coordination. He pointed out over the past few years the necessity of criticizing the thinking that pays no attention to commerce. He said: "In carrying out production, we must hold a commercial viewpoint."

The participants affirmed Sun Yefang's viewpoint which upholds that the organization of circulation in a planned way is based on the socialist planned management system. The socialist economy is called a planned economy not only because the production of enterprises is carried out in a planned way, but also mainly because the relations of supply, production, and sales are included in planning. Sun Yefang creatively advocated a view about the limit in dividing the powers of planned management between the state and enterprises on the basis of contracts. He said that all such aspects as changing the original and traditional contract relations, changing the production orientation of enterprises, and organizing the new relations of supply, sales, and coordination among enterprises, belong to the "big powers" of the state. But the contracts among enterprises on supply and sales of products, including quantity, varieties, and specifications on the basis of the original orientation of production and within the sphere of the original relations of supply, sales, and coordination belong to the "small powers" of the enterprises. In the middle of the 1950's, Sun Yefang suggested to "put planning and statistics on the basis of the law of value," and one of concrete methods is to define the planning of the state and the planning of the production of enterprises on the basis of contracts.

The participants pointed out that the theory of natural economy is the opposite of Sun Yefang's socialist economic theory. A basic feature of socialized mass production is shown in the expansion of exchange. Sun Yefang's theory of circulation has become a theoretical weapon for the development of the socialist socialized mass production. For a very long period in history, China was under the rule of feudalism, with a vast ocean of small production that has provided fertile soil for the emergence of the theory of the natural economy. The influence of the theory of the natural economy has become a serious barrier to the development of the socialist modernization program. Therefore, Comrade Zhao Ziyang pointed out: "In carrying out our economic work, we must completely get rid of the viewpoint of the self-sufficient natural economy." It is an obligation of our economics circles to follow the example of Sun Yefang and persist in criticizing the theory of the natural economy.

III.

The participants held that Sun Yefang also studied the creation of the socialist new system as part of political economics. Although Sun Yefang's "theory of socialist economy" is a new system that is yet to be perfected, it advocates [word indistinct] of the relations of production in connection with productive forces, unification of logic with history using the Marxist abstract method, and proceeding from the point of the products with socialist ownership by the

whole people and taking the method of producing the maximum amount of products to meet social needs in a planned way with the minimum labor consumption as a red thread running through the whole system. The "theory of socialist economy" also includes the sphere of value in all chapters about socialist political economics and analyzes the process of socialist production, the process of circulation, and the process of social reproduction. Through these analyses, Sun Yefang expounded the internal law of the development of the socialist economy. This "method of process" is no doubt much better than the "method of policy compilation" and the "method of the lining up of law" and it has freed socialist political economics from the poison of the theory of will. We cannot but say that the "theory of socialist economy" represents a revolutionary change in the history of socialist political economics. Of course, it is also of no doubt that whether the system of the "theory of socialist economy" is in a position to expound that the development of the socialist economy is a natural historical process is yet to be concretely proved theoretically and to be tested in practice.

At the same time, the participants also expressed their differing views with regard to several major questions in the program of the "theory of socialist economy."

First, about the starting point of socialist political economics.

The "theory of socialist economy" starting from analyzing products. Some comrades conditionally agreed with this thought. They are of the opinion that product analysis can be regarded as a layer of abstract analysis. But they held that we cannot simply regard the products with ownership by the whole people as non-commodities, nor can we simply regard the products that are the starting point of the analysis as products. We must regard these products as the products of united labor or direct social products. Some other comrades disagreed with taking products as the starting point of the analysis. They suggested taking commodities as the starting point of the analysis instead.

Second, about the red thread that is running through the "theory of socialist economy."

Some comrades are of the opinion that Sun Yefang's theory of "the smallest and the biggest" as a red thread has grasped the core of the question of the socialist economy and is in line with the Marxist exposition that saving time and distributing in a planned way represent the most important socialist and communist economic law. Sun Yefang's concept of "the smallest and the biggest" means "to produce the maximum amount of the products that are needed by society in a planned way with the smallest social labor consumption" and it includes the defining of the nature of social relations.

Some other comrades held that we must take the goal of socialist production as the red thread instead of the concept of "the smallest and the biggest" because the latter only includes the quantitative relations of the defining of the nature of social relations that are common in all societies and does not include the quantitative relations of the defining of the nature of particular social relations.

IV

Sun Yefang's theory of value is the foundation of his whole theory of the socialist economy. With great interest, the participants conscientiously discussed his theory of value. The main subject of the discussion includes the following three points:

First, whether value belongs to the particular sphere of commodity production.

Sun Yefang was of the opinion that value is not merely a particular sphere of commodity production. Those attending the discussions held two opinions that are contradictory to each other.

One view holds that this viewpoint of Sun Yefang's is wrong. Those holding this view held that value is the only particular sphere of commodity production. The only value that is known in economics is the value of commodities.

Another view agrees with Sun Yefang on dividing the concept of value into commodity value and product value (or called the value of narrow sense and the value of broad sense). The commodity value that is based on private ownership--that is, exchange value--belongs to the particular sphere of commodity production: the commodity value that is based on ownership by the whole people is the sphere that is closely linked with socialized mass production. Through the comparison of individual labor and social labor, the commodity value that is based on ownership by the whole people is in a position to enable society to rationally distribute social labor in a planned way so as to save time. In communist society, the sphere of value "is, in fact, increasingly in a position only to solve problems in production, and this position is exactly the sphere of its real activities."

Second, whether the relations between labor expenditures and efficiency is defined by the nature of the concept of value.

Some of those taking part in the discussion held a negative attitude. They are of the opinion that Sun Yefang highly praised Engels' early definition of value and that, in fact, Sun Yefang regarded use value as a decisive factor of value. They held that this view of Sun Yefang's does not accord with the Marxist theory of labor value.

Some others held a positive attitude. They said that to regard the relations between labor expenditures and efficiency as the factor for defining the nature of the concept of value shows that the value itself is not formed independently, nor does it exist independently. The concept of value has reflected the most fundamental economic relations between men, that is, the relations between the invested labor volume and the effective results produced. These relations are shown through the comparison and testing of the quality and quantity of people's labor by society and the useful results of the production carried out by the people. Under the condition of the commodity economy that is based on private ownership, such comparison and testing are carried out blindly and spontaneously through competition. Under the condition of public ownership, however, the comparison and testing are carried in a planned way through people's conscious

activities. These participants also pointed out that to regard the relations between labor expenditures and efficiency as the factor for defining the nature of the concept of value means to stress the important principle of the Marxist theory of labor value. An efficiency that is in a position to meet a certain social need represents a premise for the formation of product value. The labor that is used in turning out the products that are useless in society means a waste of labor time; under this condition, there is no way to form value.

Third, the defects of Sun Yefang's concept of value.

A number of comrades have pointed out that Sun Yefang's concept of value is not perfect. It still has certain defects that are mainly shown in the fact that it does not distinguish between imperfect ownership by the whole people and perfect ownership by the whole people. Under the condition of perfect ownership by the whole people, the situation in which people possess the means of production unequally has been completely abolished. Consequently, differences in economic interest among men no longer exists and people are willing to make contributions to society consciously. Although under this condition independent accounting is still practiced, the purpose of this accounting is to calculate labor consumption so as to distribute social labor time among production departments, in a planned way according to social need. Under this economic condition, the concept of value will truly return to "the sphere of its real activities." But at the present stage, ownership by the whole people is still far from being perfect, differences in economic interest among men still exist, individual labor in fact still cannot be directly shown as social labor, the labor consumption needed by society cannot be directly calculated while the law of commodity value still displays its role. Therefore, it is inevitable to resort to the relations between commodities and currency to readjust the differences in economic interest among men. Sun Yefang used an abstract method, which he termed the "stripping method," and studied the sphere of value under the condition of perfect ownership by the whole people. This study accords with basic Marxist principle. But it is necessary to continue to use the "dressing method" and return to the reality of the economy with imperfect ownership by the whole people and pay attention to the objective necessity of the existence of exchange value. It is a pity that Sun Yefang did not distinguish the two different forms of ownership by the whole people. Consequently, he neglected the necessity of the existence of the relations between commodities and currency in the economy with imperfect ownership by the whole people.

Some comrades pointed out that in analyzing the internal relations of ownership by the whole people, Sun Yefang cast aside the question of distribution according to labor and emphasized the unanimity of interests between the state and enterprises, among enterprises, and among laborers. But he did not pay enough attention to the differences in the interest that still exist among them. Consequently, he overemphasized product value and the law of value, neglecting to a certain extent the roles of these two aspects. The defects of Sun Yefang's methodology reflect the brand of the era. But we must understand that Sun Yefang's theoretical and practical contributions can in no way be denied because during the period under the serious influence of the "leftist" ideology, he dared to put forth a complete theory of value to oppose the tendency to effect the transition to communism prematurely.

V.

The participants also put forth their differing views with regard to Sun Yefang's theoretical viewpoints and policy suggestions about the management, price, and economic results of fixed assets.

1. The management of fixed assets.

The participants are of the opinion that Sun Yefang's theory of the management of fixed assets is an important part of his economic theory. The discussions mainly differed on such aspects as the nature of depreciation funds and the limit for dividing simple reproduction and the expansion of reproduction.

Some comrades disagreed with Sun Yefang's viewpoint of considering depreciation fund as merely compensation fund. They are of the opinion that as a precipitate, the depreciation fund can be considered as a "new investment" and therefore this fund also has the nature of accumulation fund. Part of the C and V [as published] of the value of social products can be turned into accumulation fund. The c, v, and m [as published] represent the division of the components of the value of social commodities. Compensation fund, consumption fund, and accumulation fund are divided from the results of the use of the value of a social commodity. Depreciation fund is related with compensation fund and yet they are different. Depreciation fund has the nature of compensation and accumulation. Some comrades who agreed with Sun Yefang held that it is necessary to consider compensation fund as the nature of depreciation fund and that the task of depreciation fund is to guarantee the simple reproduction of fixed assets. Depreciation fund can also be used in expanding the reproduction of fixed assets. But this practice is conditional; it has a strict quantitative limit and its nature differs from accumulation fund. To say that depreciation fund "simultaneously has" the nature of accumulation fund will confuse the nature of depreciation fund. The nature of depreciation fund is different from its final use. Although c, v, and m cannot be equated with compensation fund, consumption fund and accumulation fund, we can in no way neglect the proportionate relations of the quantity of c, v, and m and the proportionate relations among these three aspects. These proportionate relations represent an important basis for correctly arranging compensation fund, consumption fund, and accumulation fund. The c must first of all be used in compensation, while the rest can be used in expanding reproduction.

Sun Yefang said: "The only criterion for distinguishing simple reproduction from the expansion of reproduction is the amount of the fund of enterprises and not the amount of materials." Some comrades disagreed with this view. They suggested taking the quantity of products as the final criterion for distinguishing two types of reproduction. In this way, the conditions for reproduction can be unified with the results of the reproduction. They also held that to take the results as the final criterion will accord with the need of the basic law of the socialist economy and the need in organizing socialist production. The comrades who agreed with Sun Yefang are of the opinion that this advocacy by Sun Yefang is based on the theory of political economics. This advocacy is inseparable from his effort in criticizing the theory of natural economy over

the past long period and his advocacy of paying attention to the question of value. It does not mean that he did not pay attention to use value; on the other hand, it means that he paid attention to both value and use value.

In addition, the participants also discussed the reason for Sun Yefang to criticize the advocacy of "freezing technical progress." Many comrades are of the opinion that an important reason for "freezing technical progress" is low depreciation rate. But what is more important is that depreciation fund has been used improperly. As the strategy of lopsidedly seeking rapid economic development was implemented in the past, the depreciation fund of some departments was included in financial revenues and used in developing certain "departments with priority" to cause disproportion. Therefore, in restructuring the fixed assets management system, it is imperative to basically change the economic development strategy. Otherwise, even if the depreciation rate is increased, it will still be difficult to solve the problem of renewing and restructuring.

2. About price.

The participants are of the opinion that the theory of value put forth by Sun Yefang in close relation with the reality of socialist construction in China (this mainly includes such aspects as that production price is the foundation of socialist price, that price must accord with value, and that the key question of price lies in price parities between industrial and agricultural products) has made contributions to the study of the theory of price in the country and that it has practical significance for price work.

But during the discussions, there were different opinions about some of Sun Yefang's views on the theory of price. Some comrades pointed out that Sun Yefang stressed what he called the "law of the value of products" while the economy in China today is a commodity economy. Therefore, certain concrete measures advocated by him may not be feasible. For example, he held that planning would be defined well once we are able to make price consistent with value and consequently improve economic results. But it is impossible to do so at the present stage. Some other comrades held that as Sun Yefang insisted on the viewpoint about the law of commodity value, among the various forms of price he only stressed the importance of studying one form of price, that is, planned price. He did not study any other form and he neglected the leveraging role of price.

3. About economic results.

The participants are of the opinion that Sun Yefang's theory of economic results has provided a theoretical foundation for realizing the change of the economic development strategy of China. A series of Sun Yefang's theoretical spheres about socialist economic results represent the spheres of the order of the logical lapse of scientific abstractness and they are inseparable from each other. The system of the standard for examining socialist economic results stressed by Sun Yefang includes not only the price standard system with profit quotas as the key, but also the standard system of use value with quantitative norm as the key and the standard system for the consumption of material with

energy consumption norm as the key. At the same time, some other comrades also pointed out that although Sun Yefang paid attention to the study and exposition of the theory of economic results, his exposition of the effective ways and methods for improving economic results was not enough. There was not enough time for him to study and particularly expound the particular rules about socialist economic results. Many comrades are of the opinion that they must continue the cause that he had no time to accomplish, further study the economic results of industry, agriculture, capital construction, energy, transportation, and foreign trade, and respectively expose the particular rules of these aspects.

The participants held that there exist certain differing views about Sun Yefang's economic theory and that this situation is only normal. In his lifetime, Sun Yefang stressed on a number of occasions the necessity of reserving common ground and seeking differences and launching debate correctly so as to gradually improve scientific level.

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NATIONAL POLICY AND ISSUES

SUN YEFANG'S THEORY OF SOCIALIST ECONOMY

HK260740 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 11, 20 Nov 83
pp 29-34

[Article by He Jianzhang [0149 1696 4545]: "On Sun Yefang's Theory of Socialist Economy and Model of Economic System"]

[Text] Over the past several decades, Comrade Sun Yefang, displaying the spirit of a proletarian revolutionist and a solemn and scientific attitude, bravely challenged the erroneous traditional concepts in socialist economic theory, and formed his own socialist economic theory. He analyzed the defects in the economic work of our country, particularly the management system of the national economy, and the errors of certain economic policies, and advocated a series of economic reforms and a model of an economic system with clear socialist characteristics. For a prolonged period in the past, Sun Yefang's theories and views have been regarded more or less as heresies and unfairly criticized. However, actual practice has shown that many of the basic viewpoints he insisted upon are correct and display a unanimity with the socialist construction program since the 3d Plenary Session of the 11th CPC Central Committee. It will have a realistic importance in the overall opening up of a new situation in socialist modernization construction, if we have a renewed understanding now of his socialist economic theory and his projected model of a socialist economic system.

Socialist Economy Is Not Synonymous With Natural Economy

The starting point of Sun Yefang's socialist economic theory is to take socialist economy as not only different from self-sufficient natural economy (material economy) but also different from commodity economy in which the law of value plays a spontaneous and regulatory role, but as a planned economy in which exist extensive social division of work and exchange relations of products and which consciously makes use of the law of value in regulation. He considered as erroneous the viewpoints of taking planned economy as natural economy or as commodity economy.¹

To take socialist economy as a natural economy has been an erroneous though major concept in socialist political economy over the past several decades. In the early 1920's, Lusenbao [4151 2773 1027] of France and Buharlin of the Soviet Union both considered that socialist-economic relations as being crystal clear and that they hardly need to be intensively studied in the science of

political economy. In Buharlin's opinion, the doomsday of a capitalist commodity society also marks the end of political economy. At the time, the Soviet economist Bo-ge-dan-nuo-fu [3134 2706 0030 6179 1133] likewise clearly stated: "The foundation of the new society is not an exchange economy but a self-sufficient economy. No buying and selling market exists between production and consumption, and there exists only distribution which is meaningful, systematic, and organized."² His contemporary, economist 'Kai-er-wai' [0418 1422 4850], also stated: "Socialism is natural economy. Development of this economy does not require gold currency or paper currency with gold as backing to serve as a means of savings and evaluation of commodities. This hardly can be doubted."³ As Sun Yefang saw it, as late as in the 1950's the "Textbook on Political Economy" compiled by the academician Ao-si-te-luo-wei-jiang-nuo-fu [1159 2448 3676 5018 4850 1730 6079 1133] still made mention of the system of natural economy." (p 178) The theory of natural economy conceives the socialist economy and the coming communist economy as natural economy akin to the primitive communist society which comprises only relations of distribution but no relations of exchange of commodities, hence no such concepts as abstract labor, value, and prices. If these categories are still preserved in socialist economy, then it is because of the continued existence of other economic constituent elements, resulting in the continued presence of the remnants of commodity economy. It is precisely because of the influence of this theory of natural economy that for a prolonged period writings on socialist economics have taken such economic categories as value, prices, and currency as something alienated from socialism, refuting the concept of the existence of a circulation process internally in the socialist economy, particularly in an economy of ownership by the whole people, and proceeded to term the distribution of all the thousands of categories and specifications of raw materials, machinery, and equipment by the departments in charge of materials as "planned allocation" and the supply of consumer goods by ration tickets as "planned supply." In short, this system of the supply of material goods was termed the special feature of socialist economy. In planned management, targets in concrete materials were emphasized while value targets were lightly regarded and much greater attention was paid to grasping the quantitative production of products than to the management of funds. In the production and distribution process, the law of value was not observed and no efforts were made to seek economic benefits, thus resulting in frightful losses and extravagance. In Sun Yefang's view, it is hardly the concept of Marxism to regard socialist economy and communist economy as a natural economy (material economy), which is devoid of the process of exchange of products and of the circulation process and which negates the role of the law of value. The theory of natural economy erroneously takes socialist economy with the system of ownership by the whole people as being a big factor, the relations between the enterprises as being like the cooperative relations between the workshops of a factory and between the various kinds of work procedures, and the social division of work between the enterprises and the technical division of work in the internal departments of the enterprises as being identical. In reality, a big difference exists between these two categories of division of work. Technical division of work inside an enterprise is carried out by different workers mutually exchanging their labor and jointly completing a product. Liaison and cooperation between them do not require the exchange of products. As for social division of work, it takes place between enterprises of independent business accounting and the realization of liaison and cooperation between

them must go through the exchange of products. Generally speaking, this process of exchange of products constitutes the circulation process of the products of the society. Following the development in production and progress in technology, social division of work becomes increasingly minute and cooperation between the enterprises by means of the exchange of products becomes increasingly frequent and intensive. As a result, the circulation process becomes all the more important in promoting the development of social production. "The outlook on natural economy which refutes the circulation process is only the theoretical exposition of a regressive and petty ideology which reverts to the old and is ignorant of what constitutes socialized large-scale production." (Vol 2, p 182) In Sun Yefang's view, in a socialist economy with the system of ownership by the whole people and in the coming communist economy, there still exist enterprises with independent business accounting, the process of exchange of products between them and the circulation process. Likewise, the concept of value still exists while the law of value still asserts its role. In a socialist economy and a communist economy, society must pay attention to savings in the time element and to the planned allocation of labor time in its various production departments. Hence, it must look into the labor time required by individual products as well as the gross labor time required by society as a whole. The enterprises must enforce independent business accounting. Enterprises whose individual labor consumption is lower than the level of society's required labor consumption may be classified as progressive enterprises while those in the contrary are regressive or backward ones. All enterprises should endeavor to improve operation and management, raise the technological level, lower individual labor consumption, and strive for the highest effective results. Speaking for society as a whole, society's necessary labor consumption level in the making of products has a decisive significance on its formulation of plans. Neither Marx nor Engels ever took socialist economy and communist economy as a sort of natural economy which ignores the law of value. Contrarily, they were emphatic that only in socialist and communist economies had determination of value (law of value) returned to its real sphere of activities. (pp 114-118)

Socialist Economy Is Not a Commodity Economy

In the past, Sun Yefang's critics said that the law of value which he talked about was the law of value of commodity economy and that his advocacy of "building planning and statistics on the foundation of the law of value" was tantamount to advocating the building of socialist planning and statistics on the foundation of the law of value of commodity economy, and even of capitalist economy. Sun Yefang's reply was these people had failed to differentiate between the real essence of value (society's necessary labor time) and its manifestation in divergent socioeconomic formations. In his view, under a commodity economy based on the private ownership system, commodity value can only be shown by market prices revolving around the fluctuations of value. Herein, value's manifestation is exchange value. After the means of production have been publicly owned by society, the labor of an individual directly becomes part of social labor and the value of products can be directly calculated and does not need to go through market exchange and be spontaneously formed behind the back of the producers. He said: In socialist and communist economies, "determination of prices no longer adopts the roundabout method of manifesting social labor, that is to say,

it no longer adopts the method of having to go through market competition. Rather, the method of directly computing labor cost is used to fix prices and to formulate plans." (p 119) Here, the manifestation of the law of value is "planned value," and not "exchange value." (p 137) He repeatedly stated: "The 'value' concept I mention here is the concept of value in a broad sense; it is what Engels said: 'All the things left over in a communist society.'" (p 123). He called the law of value in a broad sense the law of value of products and called the law of value in a narrow sense, which is related to commodity economy, the law of value of commodities. He said: Value which cannot be "delinked" or separated from commodity is value in the narrow sense based on the system of private ownership, that is to say, exchange value. As for value in the broad sense, just as what Marx and Engels repeatedly emphasized as value determinant or value substance, it is still in existence in the product economy of socialism and communism.

However, Sun Yefang disagreed with the viewpoint of taking socialist economy and communist economy as commodity economy. In his view, the basic special feature of commodity economy constitutes the relations of exchange at equal value of the means of production between diversified owners. Relations between commodities and currency represent a social form of regulating the contradictions of people's economic interests. In the case of enterprises under the socialist system of ownership by the whole people, the means of production all belong to one owner and basically there is unanimity in economic interests among the people. Although the exchange of products between the enterprises must still follow the principle of exchange at equal value, it is for the purpose of taking an accounting of the labor consumption of society and of raising the economic effects of the enterprises and of the whole society, and not for the purpose of regulating the conflict of interests between people. In this way, this category of exchange is "product exchange" and not "commodity exchange."

Sun Yefang further stated: Since the publication of Stalin's "Socialist Economic Problems of the Soviet Union," many people have admitted that the law of value still plays a definite role in an economy with the system of ownership by the whole people. However, they have set their eyes on that in a socialist society there still exist the socialist system of ownership by the whole people and also the system of collective ownership and also the relations of commodity and currency. This is a form of the theory of external cause. Since we acknowledge that an economy with the system of ownership by the whole people occupies a ruling position in the national economy and plays the leading role, we should at the same time admit that the economic laws, including the law of value, inherent in an economy with the system of ownership by the whole people, likewise play the leading role. Let it be asked: In the event of a transition to a unitary system of ownership by the whole people, will it still be necessary to respect the role of the law of value? Some people have said that since internally in the socialist economy with the system of ownership by the whole people the principles of distribution according to work and implementation of the material interests must still be enforced, it is still necessary to utilize the law of value to regulate the economic interests between the enterprises. In this way, internally in the economy with the system of ownership by the whole people there still exist the relations of commodity and currency and the law of value still plays a role. Sun Yefang then asked: By the time we have reached a communist society enforcing

distribution according to need, the actual inequality among people and the contradictions in economic interests have been eliminated, and the relations of commodity and currency have vanished, so will it still be necessary to enforce business accounting? Will it still be necessary "to effect savings in the time element and to make a planned allocation of labor time in the various production departments?" And, having laid aside the theory of value as a determinant and the law of value, how will business accounting be carried out and what will be the criterion or standard for savings in the time element and the distribution or allocation of labor time? Naturally, and Sun Yefang also admitted this, due to the existence of diversified economic elements and implementation of the principle of material interests, the different kinds of exchange relations will still carry a "commodity character" to varying degrees and the "commodity law of value" will still play a certain role. However, under whatever circumstances, "product character" is still basic and the "product law of value" still plays the leading role. This applies all the more to the exchange relations between enterprises of the system of ownership by the whole people.

To sum up: Sun Yefang's views on socialist economy are as follows: Socialist economy is planned economy and is built on the foundation of the exchange of products; planning and statistics in socialist economy must be based on the value of products, what is, the direct computation of labor cost and the value of products; wherever possible, prices of products should conform with value (or production prices), so as correctly to reflect the labor consumption of society; society formulates its plans on a comparison of needs (effects) and expenses (value or production prices), that is, according to need and possibility (life labor and materialized labor) and directly allocates social labor to the various production departments. This is a type of direct planning, that is, conscious regulation in advance. Simultaneously, since in the different exchange relations, "commodity character" exists in varying degrees, it is also necessary to consciously make use of the role of the "commodity law of value," that is, to significantly utilize the deviation between the prices and value or production prices of certain products, to regulate the interests of the various sides and to influence production and consumption. This is a sort of indirect planning, that is, conscious post-regulation. This type of regulation can play only a secondary and subordinate role. Following the development of socialist economy, particularly following the gradual transition to an economy with a unitary system of ownership by the whole people and communist economy, the "product law of value" will gradually expand the scope of its role while the "commodity law of value" will gradually retreat from the theater of history.

Model of Socialist Economic System

Based on his own socialist economic theory and linking the actual practices in economic construction both in our country and in other socialist countries, Sun Yefang, as early as in the 1950's and 1960's, offered a series of views and suggestions on reforming the original system of economic control. At the end of the 1970's and early 1980's, he again summed up the experiences gathered in the practices in reform and further elucidated and supplemented his own viewpoints. In his opinion, the past economic system of the Soviet Union and our economic system, which we had learned from the Soviet Union were both under the guidance

of the theory of natural economy. Basically, their special points were the employment of the method of managing material economy to manage economy, placing one-sided emphasis on centralized and unified control, the state wholly grasping the production, supply, and marketing tasks of the enterprises as well as controlling their personnel and finance, refuting the business accounting of the enterprises, and depriving the enterprises of autonomous power in management and control. This is a system featuring "everybody eating from the same big pot," and is disadvantageous to motivating the enthusiasm of the enterprises and their personnel and also disadvantageous to improving economic results. Hence, the reform of the system should be centered in correctly handling the relations between the state and the enterprises, "the key being to make a clear demarcation line between the functions of the enterprises, which in reality constitute the cells of the national economy, and the functions of the higher level organs, which represent the state." (p 239) In his opinion, the problems of clearly demarcating the functions between the state and the enterprises is in reality a problem of the thorough implementation of the system of democratic centralization in socialist economic management. He clearly affirmed that "without centralized and unified control there would be no planned economy," although he also pointed out that the problem concerned how, "simultaneously with centralizing and unifying management and control, to motivate the creative spirit and enthusiasm of the enterprise's leadership and of the vast masses of staff members and workers in such matters as technical renovation, improving the labor productivity rate, and developing production." (p 239) He advocated the employment of simple reproduction and expanded reproduction, based on the volume of funds involved, as demarcation lines of the powers of management between the enterprises and the state and carrying out their basic reform of the original economic system on that basis.

Summing up, it may be said that the general outline of the model of the socialist economic system as conceived by Sun Yefang is as follows:

1. All affairs within the scope of the original capital, particularly the major overhauling and/or repairing jobs of fixed assets, renovation and rebuilding work, and work in connection with the employment of workers and appointment and dismissal of cadres should, in principle, be assigned to the enterprises to take charge. All enterprises should enforce independent business accounting and carry out the system of possession, and use, with due compensation, of the capital funds.
2. Production, supply, and marketing activities within the original scope of cooperative relations should be arranged by the enterprises themselves by means of economic agreements; the state will no longer directly intervene. Only in the event of breaches or gaps occurring in the original three sectors of supply, production, and marketing, due to uneven development or other reasons, and when the organs at the grassroots level are unable to offer any solution, will it be necessary for the higher level organs to proffer their hand and help in achieving a solution. The state will be responsible for arranging the production, supply, and marketing relations of newly established enterprises. Changes in the original cooperative relations of old enterprises must be sanctioned by the state.

3. Profits of enterprises, with the exception of a portion for use as bonus and collective welfare work, must all be remitted to the state. This is to say, of the surplus products created by the enterprises (equivalent to the "m" portion), by far the great proportion should be subjected to centralized use by the state.

4. Following the above-mentioned changes in the enterprise management system, the order or process of compiling the staff plan, or the planning system, should also be correspondingly reformed. The original method of the State Planning Commission fixing first a "broad program" and the component tasks (targets) being vertically allocated, grade by grade, downward to the lower levels, is changed to the grassroots-level enterprises first arranging well a balance of supply, production, and marketing, setting up a contract system, and, on that basis, summing up the results or targets, level by level, to form a national plan of simple reproduction. To this is added an expanded reproduction program extending vertically downward and formulated by the various business departments of the central government and the State Planning Commission, that is to say, a composite balanced program pertaining to the supply, production, and marketing functions of newly established enterprises, in this way forming a national economic plan for the whole country or the whole society.

5. Following the establishment of this type of enterprise management system and planning system, the existing system of supply of goods and materials should be correspondingly reformed: A change from enforcing the system of allocation or supply of material objects to the several hundred thousand enterprise units in the whole country to the establishment, among the enterprises at the grassroots level, of a contract system on supply, production, and marketing, taking the form of "product exchange" or "commodity exchange."

6. Taking as a prerequisite the forming of a relatively rational price structure through fixing prices on the basis of production cost, the various complicated target systems originally in use for assessing the performances of the enterprises should be reformed, and the profit rate on capital funds should be taken as the composite target for assessing or evaluating the management and operation results of the enterprises.

Throughout the economic system model conceived by Sun Yefang, his thought has been implemented of demarcating the functions of the state and the enterprises on the basis of simple reproduction and expanded reproduction based on the amount of funds involved. In the 1950's, he said: "I believe that in the financial and economic system the demarcation line between 'big power' and 'small power' and between being 'dead' or 'alive' is the demarcation line between expanded reproduction and simple reproduction. Affairs belonging to expanded reproduction are in the realm of the 'big power' of the state. They must be rigidly administered by the state; confusion will reign if the state fails to administer them or does not administer them rigidly enough. As for affairs in the realm of simple reproduction, they belong to the 'small power' of the enterprises, which should administer them themselves, and overintervention by the state will only 'strangle them.'" (p 141) From 1979, our country has set up trial points for reforms on the economic system with the central theme of enlarging the autonomous power of the enterprises. While

fairly good results have been achieved, the problem of an inflation in capital construction investments has appeared at the same time. In Sun Yefang's opinion, this was the result of overretention of profit earnings by the enterprises and the excessive release of the power of investment on the part of the state. In 1981, he said: "What I said in the past about releasing downward meant the downward release of management power to the enterprises within the original scope of funds. I never advocated the downward release of the power of making new investments which, contrarily, must be rigidly controlled. Over the past 2 years, the cause of the trouble was not the downward release of the management power to the enterprises within the scope of the original funds; rather, I feel that the release was not sufficient enough. In the past, few people showed concern with this phase of the problem. Some people preferred the new to the old and all sought new investments, but when a portion of the power of making new investments was released downward, the whole program was deranged. This was where confusion reigned." He added: The way out is not like what certain comrades have advocated, that we should take back "all the powers that had been released downward, including the power of simple reproduction on the part of the enterprises, returning to what in the 1950's the Soviet experts had taught us and taking the old road of tightly controlling everything and thus entering into a dead alley." (Vol 2, pp 174-175) In short, Sun Yefang's thinking pertaining to the reform model of the economic system not only is in unanimity with his system of theories but remains the same from beginning to end.

Problems Awaiting Study

I basically agree with Sun Yefang's socialist economic theory and the economic system model which he has conceived. At the same time, I feel that we must continue to probe the following problems:

1. Sun Yefang insists that the socialist economy is not a natural economy but a planned economy with a vast range of social division of work and exchange of products between enterprises which do independent business accounting, that the law of value still plays a role, that all economic work must strive for economic results, and so on. All this represents an important breakthrough in traditional socialist economic thought and entirely conforms with Marxism. However, he took planned economy and commodity economy as directly opposed to each other, and this is what needs some comment. This is because planned economy is mentioned as an antithesis to the state of anarchy in production under capitalism, while commodity economy is mentioned as an antithesis to natural economy. In the socialist stage, varying forms of the socialist public ownership system are still in existence (not to mention the existence of other economic constituent elements); inside the economy with the system of ownership by the whole people, the enterprises and the staff members and workers all possess their own special economic interests. Exchanges between economic units under varying ownership systems, or between enterprises under the system of ownership by the whole people, or between state-run stores and individual staff members and workers, must abide by the principle of exchange at equal value. In other words, relations of commodity and currency still constitute a social form in regulation of the interests of the various quarters and in socialist economy the

law of value of commodity economy still plays a definite and regulatory role. Naturally, precisely as Sun Yefang pointed out, in a socialist economy the form of the role of the law of value is different from that of the role of the law of value based on the private ownership system. The former is "planned value," which is consciously utilized by the state, and the latter is "exchange value," which spontaneously exerts the role of regulation. However, this difference is not the result of any changes in the law of value itself but, rather, the result of changes occurring in the conditions governing the exertion of its role. That is to say, on the basis of the socialist public ownership system, the socialist basic economic law, the law requiring the planned and proportionate development of the national economy, and other socialist economic laws all have played their role and enabled socialist states to consciously make use of the law of value. Concurrently, because in a socialist society there still exist differences in the interests of the state, the collective (enterprise), and the individual, and because there still exist extensive relations of commodity and currency, computation of the value of products must still be made by suitable means (currency, prices, and so forth), that is, through measurement of the comparative prices of various commodities and not through direct measurement of the length or period of labor time expended. Thus, accuracy is only in a relative sense. This is different from value determination in a communist society coming after the elimination of inequality--which in reality exists among people--after elimination of the conflict of economic interests and after elimination of the relations of commodity and currency. Correspondingly, in a communist economy, value determination or the law of value serves merely as a yardstick to measure labor consumption and is in a way related to the interests of the people; "prices" and other economic levers cannot exert their role of regulating the conflict of interests and do not influence production and consumption. On the contrary, in a socialist economy, we cannot overlook the role of prices and other economic levers in influencing not only other economic constituent elements, but also enterprises internally in the economy with the system of ownership by the whole people. Therefore, socialist states not only should show full regard in advance (at the time of compiling of plan) to the role of the law of value and make a rational allocation of social labor among the various economic departments, but also should devote full attention afterwards (during execution of the plan) to the utilization of economic levers such as price, profits, taxation, credit, and loans in meeting the demands of the state plan. In this regard, Sun Yefang appeared to have made an insufficient estimation and paid insufficient attention.

2. The model of socialist economic system envisaged by Sun Yefang represents a big breakthrough in the original economic system and its direction is also a correct one. In particular, in taking a correct demarcation of the functions of the state and of the enterprises as the nucleus of the economic system and marking a line between simple reproduction and expanded reproduction based on the amount of funds involved as indicating a demarcation line between the "small power," which the enterprises should possess, and the "big power," which the state must grasp, he was displaying an extremely intelligent perception both internationally and within our country. Certain comrades have said that in limiting the powers of the enterprises to the scope of simple reproduction, Sun Yefang has laid down a lever that is much too tight; and that, in particular, his advocacy of the enterprises remitting by far the greatest proportion of their profits to the state seriously affects the enthusiasm of

the enterprises. In my opinion, over the past several years, actual experiences in certain countries and in our country have shown that too large a profit-retention by the enterprises would dilute or scatter the amount of capital construction funds. This, on the one hand, promotes so-called "blind construction" and redundant construction, and, on the other hand, adversely affects the state's centralization of funds for the sake of ensuring focal construction jobs. In the final analysis, this is disadvantageous to the coordinated development of the national economy. Theoretically speaking, remittance to the state of the greatest proportion of the profit earnings of enterprises under the system of ownership by the whole people and the state exercising centralized and unified control of expanded reproduction constitute the difference between an economy under the system of ownership by the whole people and an economy under the system of collective ownership and other forms of economic composition. Naturally, this does not remove the possibility of the state, because of actual needs, adopting flexible measures endowing individual trades and enterprises with a certain degree of power of expanded reproduction. This is similar to our granting, in principle, the power of simple reproduction to enterprises but reserving the right of taking flexible measures such as production restriction, conversion to other production lines, and withdrawing a portion or even the entire amount of the capital funds in the case of trades and enterprises the number of which surpasses demand or which must be weeded out.

Finally, it must be pointed out: This conception of the economic system model envisaged by Sun Yefang on the basis of his theory only points out the general direction of the reform. Even if this model is applicable. How to effect a transition from the current system to the new system will still require an enormous amount of investigation and research work as well as the adoption of certain transitional methods and measures. This is because the projected change touches on a wide field embodying a large number of systems such as those related to enterprise management, planning, control of material resources, prices, and so on, and all these fields are closely linked to each other. Lacking a composite plan, and without a program of procedure clearly marking the different stages of work, to plunge headlong into the conversion will only bring about confusion and chaos. Naturally, this is not meant to say that Sun Yefang's conception cannot be put into actual practice. On the contrary, the important significance of a theory is that it points out the direction in which to progress. As to the subsequent change of a theory into concrete action, it then needs the vast masses of people to jointly devote their efforts and to offer plans and suggestions. This applies all the more to such major affairs as reform of the economic system, which concerns everyone's interest. Nonetheless, in any case, Sun Yefang has advocated relatively systematic viewpoints and a plan or conception for reform. This has a positive significance in promoting the research and actual practice on the restructuring of the economic system of our country.

FOOTNOTES

1. Sun Yefang. "Certain Theoretical Problems of Socialist Economy," p 174, People's Publishing House, 1979 Edition. All quotations from this book will give only the page number. In the event quotations are taken from Vol. 2 of this book, only the words Book 2 and the page number will be given.

2. Bo-ge-dan-nuo-fu: "Lessons on Economics," 1919 Edition, Translated by Shi Cuntong [2457 1317 4827], 1929 Edition, Dajiang Bookstore, p 543.
3. Kai-er-wai: "Calculation of Labor Value of Commodities and Urgent Task in Economic Construction," "National Economic Journal," Issues 1-2, 1921, pp 55-56.

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON SUN YEFANG'S CIRCULATION THEORY

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pp 35-41

[Article by Zheng Ning [6774 1380] of the economic research center of the Tianjin Institute of Social Sciences: "Sun Yefang's Theory of Circulation and the Practice of Economic System Restructuring"--'second revised version of October 1983'"]

[Text] Comrade Sun Yefang was the first Marxist economist in our country who advocated paying attention to the socialist circulation process and analyzing and studying it as an independent economic process. He first challenged the natural economy theory in political-economic theory and then gradually developed his own socialist circulation theory in the process of criticizing traditional economic theory. After the test of many years of practice, many principal basic theoretical viewpoints of his have been proved to be correct in practice. They are of practical significance in guiding our country's socialist construction and economic systems reform. I am now going to discuss several main aspects of this question.

He Criticized the Natural Economy Theory and Advocated a Vigorous Development of Socialist Circulation

According to what model should we build the socialist economy in our country? Should we build a natural economy resembling that of the primitive communist society, or should we build a highly socialized economy based on public ownership, in which circulation is more highly developed and more flexible than in the capitalist society? This is a basic question of guiding ideology concerning our economic systems reform, and is also the crucial question which Sun Yefang's circulation theory was to answer.

Since 1958, Sun Yefang sharply and repeatedly criticized the natural economy viewpoint, that is, the "theory of absence of circulation," which then dominated the thinking of our economists. He analyzed the following aspects of the reflections and harmful effects of the natural economy theory:

The natural economy theory negates the existence of the circulation process in the socialist economy. It negates the need for studying objective laws concerning the realm of circulation or working according to economic laws. Over

many years, our country organized the circulation of the means of production by purely administrative means and substituted allocation and distribution for exchange, so that goods became unmarketable, supply was divorced from demand, the entire social reproduction cycle was lengthened, and enormous waste occurred. In the operation involving the means of subsistence as commodities, the laws of exchange of commodities were also frequently violated.

With the negation of circulation as an objectively existing economic process, the principle of exchange at equal value was also negated. Consequently, all over our country, people did not pay attention to costs, accounting, or economic results; circulation was sluggish among enterprises and over the entire society; amazingly great waste occurred; the development of productive forces was slow; and the superiority of public ownership was very poorly developed. With the negation of exchange at equal value, the differences in economic interests between society, the collective, and the individual, which do objectively exist in the socialist society, were also negated. Over many years, these natural economy viewpoints had been reflected in our economic systems.

An ever more harmful effect of the natural economy theory was that circulation was not compatible with production or consumption. The numbers of commercial networks, units, and personnel in our country were gravely inadequate. Various categories of technological equipment in the realm of circulation were very backward. In particular, communications and transportation were extremely incompatible with the development of production and circulation. Circulation was sluggish and goods could not flow smoothly. The promotion of development of production and the improvement of the workers' livelihood was seriously hindered. To sum up, negating the circulation process and exchange was indeed an important cause of the problems of grave disproportion and slow output growth, which had existed in our national economy over many years.

Sun Yefang held that the natural economy theory was the theoretical basis of our traditional economic management systems; therefore, in studying and reforming our economic systems, "it is highly necessary to criticize and negate the ideologies of this natural economy theory."¹

Sun Yefang also analyzed in depth the causes of formation of the natural economy theory:

Cognitive cause--the metaphysical viewpoints in political economics. According to these viewpoints, the dual nature is negated of social products and labor in socialism; the internal relations of the economy of the future communist society, and those of the economy under ownership by the whole people in the socialist society, are regarded as similar to those of the economy of the primitive communist society based on physical things, that is, a natural economy without concepts of abstract labor, value, prices, and money. Even if such concepts as value and abstract labor are preserved, they are only temporarily preserved as remnants of the commodity economy of the past and as accounting tools. The natural economy theory also erroneously regards the economy under socialist ownership by the whole people as a big factory and treats social division of labor between factories as identical to the technical division of labor in a factory. It blurs the differences in the conceptual meanings and

social functions of "exchange" and "distribution," and of "distribution" and "rationing" of physical things. It erroneously treats "rationing" as identical to "distribution" and substitutes it for "exchange," so that "circulation" is done away with.

The social-historical causes--these include the influences of the small peasant economy which predominated for a long period in Russia and China; the influences of the Soviet political-economists' natural economy theory; the influences of the ideology of paying attention to agriculture at the expense of commerce, which prevailed over Chinese feudal society over several thousand years; the influences of the "supply system" which was practiced for many years in our country's revolutionary wars; and the influences of the system of rationing out physical things, which was practiced since liberation.

Sun Yefang said that the founders of Marxism treated production and exchange on an equal basis, viewing them as a basis which determines all social systems. Exchange naturally exists if social division of labor exists, and the circulation process necessarily exists if socialized large-scale production exists. We cannot say that in the absence of a commodity economy, the circulation process will not exist. The circulation process still exists among various enterprises within the sector of socialist ownership by the whole people and will continue into the advanced stages of communism. Examining the continuous cyclical movement of social reproduction, we will find that each movement of production and circulation serves as a medium, prerequisite, and restricting factor of the other. Exchange makes possible or consummates production and distribution. Circulation is exchange on an overall scale. Production and distribution can be consummated only through the circulation process. The circulation process is most sensitive in socioeconomic life; many questions arising in production are reflected in circulation.

The CPC Central Committee and the State Council have now ranked the development of socialist circulation as an important daily agenda in economic leadership work. In his "governmental work report" presented at the fourth session of the Fifth NPC, Premier Zhao Ziyang said: "A basic characteristic of socialized large-scale production is the expansion of exchange, which has moreover extended from domestic exchange to international exchange. In economic work, we should completely abandon the natural economy viewpoint of self-sufficiency." The "Resolution Concerning Several Questions on the CPC Since the Founding of the PRC," adopted at the 6th Plenary Session of the 11th CPC Central Committee, states: "We must practice the planned economy on the basis of public ownership, while simultaneously developing the supplementary role of regulation by market mechanism. We must vigorously develop the socialist production and exchange of commodities." The CPC Central Committee and the State Council clearly declared that organizing production and exchange according to the requirements of socialized large-scale production and developing the centralized socialist market constitute an important question which we must pay attention to resolving in an overall reform of our economic systems. Under the guidance of this correct ideology, our country's socialist production and circulation of commodities are developing on an unprecedented scale.

Of course, the natural economy theory and the ideology of paying little attention to commerce, which were formed over long periods and which have remained deep-rooted, cannot be completely eliminated overnight. To accomplish our economic systems reform, to establish an economic management system suited to our national condition, and to vigorously develop the socialist production and circulation of commodities, we must continue to break through the restrictions of traditional ideologies and adopt effective measures.

Develop the Key Role of the Circulation Process in the Organization of the Socialist Planned Economy

A major characteristic of the natural economy theory is that it sets the planned economy against exchange and the law of value, and views the socialist planned economy as an economy based on physical things, in which there are allocation and rationing alone, without a circulation process. Thus, Stalin's definition of production relations as a topic of political economics precludes exchange and circulation. This is an erroneous view about the socialist planned economy. In the early 1960's, Sun Yefang put forth his own brilliant view to diametrically oppose it. He said: "The key question of building a planned economy lies in the circulation process,"², while "the vital thing about the planned economy is the planned organization of the exchange, in the circulation process, between the two major categories, between various sectors, or, in the final analysis, between hundreds of thousands of enterprises." "The superiority of the socialist planned economy is mainly reflected in the planned nature of circulation, that is, in the scientific organization of circulation."³

From the viewpoint of the dual nature of products, the principal content of circulation as a necessary stage of the social reproduction process and as an important objective economic process includes two aspects: the compensation for product value and the material replacement of the products' use value. Whether exchange is carried out according to the principle of exchange at equal value, and whether various items of use value already consumed are opportunely replaced according to necessity, are two main factors governing whether exchange and circulation can directly and powerfully affect production. Disproportion in planning precisely indicates that between the means of production and the means of subsistence, between accumulation and consumption, or between various sectors, there exist unresolvable contradictions related to the value and physical forms of material wealth.

We all know that the basic requirements of the socialist planned economy are: first, planned distribution of labor and maintenance of comprehensive national economic equilibrium; and second, economizing of labor time and enhancement of economic results. The satisfactory organization of socialist circulation is indispensable to the fulfillment of these requirements, because when products have been produced, they can reach the realm of consumption only through exchange, and whether the products satisfy social needs must be reflected through the market. Therefore, we must understand market needs and trends of market changes, do a good job of economic forecasting, and establish planning on the scientific basis of the correct reflection of social needs. Economizing labor consumption and paying attention to economic results are requirements of the

entire production and circulation process. Economic results can be correctly appraised only through exchange at equal value and comparing the socially necessary labor time. Therefore, developing the role of the circulation process and achieving a satisfactory comprehensive national economic equilibrium are of crucial importance to organizing the socialist economy.

Sun Yefang's knowledge about whether the question of realization exists in the socialist economy involved a definite development process. In the early 1960's, though he acknowledged that within the economy under socialist ownership by the whole people there was indeed a contradiction between partial labor (or individual labor) and social labor, he held that this contradiction could be resolved mainly through the planning of production, and that this was not a question of realization of products, that is, a question of whether products were salable. With the development of practice and the deepening of knowledge, Sun Yefang's understanding changed. In "An Introduction to Circulation" (second draft) published in January 1981, he formally stated that the principal content of the circulation process as a necessary stage of socialist reproduction includes two things: compensation for value and replacement of material consumption. He also said: "This replacement of material consumption in the circulation process is an absolute condition for ensuring the continued carrying out of social reproduction and maintenance of the normal functioning of the entire society and economy."⁴ He said: "Production serves the consumer, not the warehouse. In the past, we stressed only that the viewpoint of production was essential to commerce, but did not stress that the viewpoint of commerce (that is, the viewpoint of salability) was essential to production. This was a one-sided view. The commercial sector is an agent of circulation. It represents the consumers' interests. It should serve the consumer and not the warehouse if commodities' use value is to be realized. Of course, it should also represent the producers' interests and thus enable commodities' value to be realized. The contradiction of the dual nature of commodities (products) must ultimately be resolved through the commercial sector."⁵ Sun Yefang clearly acknowledged that the problem of realization exists in the socialist economy; moreover, he said that this question must ultimately be resolved through the circulation process and commercial activities.

Sun Yefang's viewpoint that the circulation process is of crucial importance to the organization of the socialist planned economy prompted people to pay attention to the circulation process, to study objective laws governing it, and to pay attention to developing the important role of exchange in the planned economy. Since the 3d Plenary Session of the 11th CPC Central Committee, in our economic systems reform, the guiding principle of "relying mainly on the planned economy, with regulation by market mechanism as a subsidiary measure" has been clearly set forth; our planning systems have been reformed, with the adoption of three different management methods, namely, management by directive plans, management by guidance plans, and regulation by market mechanism, to suit different enterprises, products, or tasks; and it has been clearly laid down that in formulating both directive plans and guidance plans, we must strive to suit them to the objective reality, we must frequently study changes in market conditions of demand and supply, and we must consciously apply the law of value. Moreover, great importance has been attached to the reform of our circulation system; the forms of purchase and marketing of industrial products have been improved; and channels of commercial circulation have been extended and increased. All these things aim to fully develop the role of the circulation process in the socialist planned economy. Of course, to satisfactorily accomplish these tasks, we must continue to make persistent and unremitting efforts.

Reform the Circulation System and Promote the Development of the Productive Forces and the Consolidation of Public Ownership

Our country's original circulation system was gradually formed in the socialist transformation process. Its formulation was influenced by the Soviet Union's economic management systems of that time. Moreover, over many years, disproportion and shortage in supply existed in our national economy. Therefore, the laws of exchange of commodities were disregarded, allocation and rationing were substituted for circulation, and a closed circulation system was formed, which was characterized by monopolistic operation by state commercial organs, existence of only a single channel but numerous links, and rationing of physical things. This system is not compatible with the requirements of large-scale production, is disadvantageous to a smooth flow of goods, and does not satisfy the current needs of industrial production, agricultural production, and the people's livelihood.

In the early 1960's, Sun Yefang put forth the idea that the reform of the circulation system should be taken as an important part of economic systems reform. Later, he also said that socialist political economics "must not only study various economic laws concerning the circulation process, but must also specifically study the organizational forms, management systems, and various circulation channels pertaining to the organization of circulation of products under the condition of public ownership. It must study how to suit these specific organizational forms to the development of the productive forces during a specific period (or stage of economic development). That is, it must study what specific organizational forms of circulation are most advantageous to the current development of productive forces and the consolidation of public ownership. In view of this, it must also study those organizational forms of circulation in capitalist economies which satisfy the objective requirements of socialized large-scale production, so that they can be used as reference in establishing and perfecting the organization and management of the planned economy."⁶ He advocated studying certain specific forms of circulation such as the composition of varied economic sectors, the opening up of varied circulation channels and varied operational forms, the establishment of commercial retail networks and units, the organization of commodity circulation based on economic regions, warehousing in trade, country fair trade, purchase and marketing through negotiation, distribution of industrial and commercial profits, market forecasting, and so on. By studying these things, we can explore the methods of planned management of socialist circulation, so that we can really "enliven the economy without causing chaos, and manage it without causing rigidity."

In the early 1960's, Sun Yefang pointed out that three channels existed in the centralized socialist market, namely, the state commercial organs, collective commercial organs, and country fair trade; and we must seek methods of effecting a smooth, unimpeded flow between these channels as well as pay attention to enabling the wealth or goods we produce to flow unimpeded. "Treating one's locality as a bulwark" and "erecting blockades between various levels" were harmful practices.

Sun Yefang held that the most important and complicated question about the socialist circulation process was the circulation of the means of production, which was a completely new form of circulation. We could not find any experience of such circulation in the old society. Aside from learning from the experience of other socialist countries, we could only create our own experience. In administering the supply of goods and materials, we should work according to objective laws governing the socialist circulation process, and should not do this work in the style of administering distribution. The supply of the means of production within the economy under ownership by the whole people must be brought into the channels of circulation, that is, inter-enterprise relations of purchase and selling, generally based on contract systems, should replace the traditional system of rationing out physical things. To reform the existing system of rationing out goods and materials from top to bottom, we must first change the existing planning system and enterprise management system, which flows from top to bottom.

To ensure that the enterprises' supply and marketing work could be carried out perfectly smoothly without being disrupted by a work stoppage due to a shortage of materials or raw materials, we should also establish a system whereby the state and the enterprises keep their own reserves of goods and materials, with requisite reserve quotas of various categories of goods and materials determined according to scientific calculation and actual experience.

He considered it incorrect to equate socialist planned supply with the rationing system or to set it against free choice in purchase. Socialist commerce should forever aim at planned supply and not blind, spontaneous supply. However, under the condition that goods and materials are in plentiful supply and commercial work is done well, the consumers in the socialist society should enjoy a more extensive right of free choice in purchasing than do ordinary residents in a capitalist society. Supplying things according to coupons or vouchers is actually a rationing system and is the consequence of a decline in production and a shortage of goods and materials. It is incorrect to consider the rationing system as tantamount to planned distribution or even distribution according to need. Throughout the entire stage of socialism (that is, before distribution according to need is possible), we should develop the consumer goods retail trade. To abolish the retail trade too soon and to replace it with a system of supplying physical things would not be advantageous.

In recent years, some reforms of the circulation systems have been carried out according to objective laws governing the production and circulation of commodities under socialist conditions, and initial success has been achieved. While the state commercial sector is playing a leading role, collective and individual commercial undertakings have considerably developed and various forms of conglomerations belonging to the realm of circulation have spawned. The situation of monopolistic operation by state commercial organs has begun to change. The commercial circulation channels and the forms of purchase and marketing of commodities have undergone definite changes.

Concerning the management systems of the circulation of goods and materials, the supply of goods and materials has begun to be brought into the circulation channels or the market, so that the form of planned allocation marked by relying solely on state allocation has been broken through. A minority of important goods and materials in short supply continue to be subjected to planned state

allocation, but the methods of supply are made as flexible as possible. The "rationing system" for certain important goods and materials has been abolished and these goods and materials are openly supplied by enterprises which produce them according to state policy stipulations. Some products are sold by the enterprises producing them under the precondition that the state allocation plans are fulfilled. In large and medium-sized cities, commercial centers for the transaction of the means of production have been established to provide arenas of organized free purchase and marketing activities. These measures have played a positive role in promoting the development of production.

The reform of commodity circulation systems has been ranked as a key task in the economic systems reform of the last 3 years of the Sixth 5-Year Plan. Although this is still a very arduous task, many specific questions in the reform must continue to be dealt with in practice through experimentation and summing up. Many of Sun Yefang's viewpoints about the reform of the circulation system are of great significance to the guiding of this reform.

Implement the Principle of Exchange at Equal Value, Establish a Rational Pricing System, and Correctly Handle the Relations of Various Parties' Material Interests Pertinent to the Circulation Process

In the socialist economy, there existed a tendency of disregarding cost, accounting, economic results, exchange at equal value, and objectively existing differences in the economic interests of society, the collective, and the individual. In view of this tendency, Sun Yefang said in the mid-1950's that "planning proportional national economic development must be based on the law of value," and "correct pricing policies should be based on value."⁷ Later, he further clearly advocated: "The principle of exchange at equal value must be implemented. In principle, prices should not deviate from value. Our party's pricing policies must be based on the principle of exchange at equal value."⁸ He held that exchange at equal value must be carried out not only between enterprises under different ownership systems, but also between enterprises within the system of ownership by the whole people, because all enterprises are subject to independent accounting, and so their exchange of products must be exchanged at equal value, without which there will not be any circulation process or social reproduction.

He pointed out at a relatively early time that under the condition of socialism, we must calculate the results of the use of capital funds through accounting. He objected to the capital funds supply system and advocated that those enterprises or departments which use a larger amount of funds should create greater profits on behalf of the state. Later, he put forth the principle that capital funds must be used at a cost. He held that under the socialist system, there exist production prices and an average profit rate based on capital funds used. What is called exchange at equal value should be an exchange at equal production prices. To change the existing irrational pricing system and to implement the principle of price determination by production price constitute a precondition for the achievement of comprehensive national economic equilibrium. We must gradually reduce the scissors difference between the prices of industrial products and agricultural products, and also the irrational differences between

the prices of light industrial products, heavy industrial products, grain crops, and industrial crops. That part of state revenue collected from the peasants through the use of the price lever should be replaced by direct taxation, that is, "disguised collection" of revenue should be replaced by "overt collection."

Sun Yefang held that the additional value created by workers and embodied in products must be realized through circulation. The original value must also be thus realized. The circulation process is an arena where the relations of economic interests between the producers and all members of society find relatively concentrated expression. Studying the relations of economic interests involved in the circulation process is a basic question concerning the satisfactory organization of the circulation process.

The view that Sun Yefang adhered to, that socialist circulation must comply with the principle of exchange at equal value, is increasingly more popularly accepted. His proposal for raising agricultural product prices and gradually reducing or even eliminating the scissors difference between the prices of industrial products and agricultural products is essentially consistent with the measures adopted by the state since 1979, that of greatly raising the state purchase prices of agricultural and sideline products. As to the appraisal of the results of the use of capital funds through accounting, a new method is being gradually implemented, that of substituting capital construction investment by bank loans and providing circulating capital funds at a cost. Many people now pay attention to his proposal for reforming the pricing system and determining prices on the basis of production prices, and this proposal has been accepted as a scheme for computing theoretical prices. In our economic system reform, due importance has been attached to the question of the correct handling of the relations of economic interests between various parties. The correct handling of the relations of economic interests between the state, the collective, and the individual as well as between the enterprises and the consumers has become a basic principle which must be followed in implementing systems of contractual responsibility for operation.

Strengthen the Links of Circulation and Make the Scale of Circulation Compatible With the Needs of Production and Consumption

Sun Yefang said: "Under the condition of socialized large-scale production, the two stages of social reproduction, namely, production and circulation, are interrelated and limit each other. Objectively, it is required that there is a mutually compatible proportional relationship between them: the quantity of labor (including living labor and materialized labor) employed in the realm of circulation over the entire society must be compatible with the development of production and the needs of consumption. Specifically, an appropriate proportional relations relationship must be maintained between the human resources as well as material resources (all technical equipment necessary to the circulation of products, such as communications and transportation equipment, warehouse facilities, business networks and units, and so on) employed by the realm of circulation on one side and the quantitative increase in those products of social labor which have entered the circulation process on the other side. If the labor employed is less than (for example, when there are too few commercial networks and units) or more than the appropriate quantity, waste of total social labor

will occur. It should be particularly stressed here that the development of communications and transportation must be compatible with the needs of the circulation process."⁹ He also clearly stated that the conscious, planned achievement of this proportional relationship "is an important precondition for enabling the whole social product to go through the entire circulation process at the fastest rate and with the minimum consumption of resources."¹⁰

In our implementation of the guiding principle of readjusting, reforming, rectifying, and improving our national economy, the strengthening of links of circulation has been ranked as an important daily agenda. It was clearly pointed out at the 12th CPC Congress: "The standard of commercial work directly affects industrial and agricultural production and the people's livelihood. The importance of this question in our country's economic development has been made increasingly more obvious. At present, commercial networks, units, and facilities are seriously inadequate; intermediary links are too numerous; market forecasting is weak; and many problems related to management and ideology of operation remain to be solved." The strengthening of links of circulation and the improvement of commercial work have become important tasks in our modernization. The development of communications, transportation, commerce, and the service trades should be in an appropriate proportional relation to the development of production and the raising of the people's consumption level. The former should be in harmony with the latter. It should not only develop "in pace with" the latter over a certain period of time, but should be given priority over the latter.

Questions That Should Be Studied Further

Sun Yefang never thought that his theoretical viewpoints were flawless. Certain viewpoints in his circulation theory must be further tested by practice and continuously perfected. For example, below are some of his good ideas concerning the centralized socialist market: the main body and leading role of the state commercial sector; the full development of the role of supply and marketing cooperatives; the question of varied economic sectors and varied channels of circulation; and so on. However, we must continue to make great efforts to make these viewpoints and proposals specific enough to be applied in practice. Another example concerns the circulation of the means of production. Sun Yefang put forth the viewpoints that the means of production must be brought into the channel of circulation and we must work according to the laws of circulation, that a situation of organized and planned supply must take the place of the anarchic situation, that planned supply is not tantamount to a system of rationing out physical things, that a goods and materials reserve system must be established according to necessity, and so on. These viewpoints are undoubtedly correct. However, the question of the specific forms of circulation of goods and materials as studied by him must continue to be studied and resolved in the course of practice, an exemplary aspect of this question being the following: With regard to his proposal for replacing the original rationing system marked by going from top to bottom with a system of inter-enterprise contracts governing supply, output and marketing, what specific measures, limits of action, and steps can we have?

Moreover, some of his theoretical viewpoints can be further discussed. Though he correctly distinguished the socialist planned economy from the natural economy, he set the socialist planned economy against the commodity economy, treating these two economies as mutually incompatible. For example, he said: "The socialist economy is a socialized economy differing from the natural economy. Therefore, in it we can find the circulation of products aside from the circulation of commodities. At the same time, the socialist economy also differs from the commodity economy, because in it production is not 'affected' by the law of commodity value and the law of material incentive, but is governed by its own inherent laws. We must first clearly distinguish the socialist economy or planned economy from the natural economy or commodity economy; only thus can we clearly analyze the internal relations of the socialist economy and the planned economy."¹¹ He also said the following, which is related to the above viewpoint: "Exchange within the system of ownership by the people is an exchange of products, and not commodities, because there is no transfer of ownership."¹² He sometimes did acknowledge that because of the question of material interests, "contracts between various state enterprises unavoidably embody, to a certain extent, commodity characteristics; the exchange between them must still be in the form of an exchange of commodities"; however, he said: "It is essentially not an exchange of commodities," but "the form of exchange of commodities is adopted as a disguise."¹³ Moreover, he objected to incorporating commodity and monetary relations into the internal relations of the system of ownership by the people. He treated opposing commodity and money relations as parallel to opposing the natural economy theory and as "a struggle between two lines on the question of circulation."¹⁴ Sun Yefang's criticism of the natural economy theory is undoubtedly absolutely correct. However, he set the socialist planned economy against the commodity economy, and this seems to contradict the fact that he objected to the natural economy theory, stressed the roles of exchange, circulation, and the law of value, and also stressed the principle of exchange at equal value. This is a difficult point in understanding his economic theory. I think that we should examine these viewpoints in the context of his entire theoretical system; we should distinguish disparity in the use of concepts from contradictions in essential matters; and we should analyze the conditions of the times during which these viewpoints were formed, viewing the question from the angle of the entire process of ideological development. In Sun Yefang's theoretical system concerning the socialist economy, he was undoubtedly correct in objecting to the natural economy theory and stressing the role of the law of value and the role of the circulation process in the socialist planned economy. These viewpoints occupy the leading position in his theoretical system. However, the contradiction discussed above also shows that for various reasons, he did not acquire a further understanding of the commodity and monetary relations inherent in the socialist commodity economy, in particular, the economy under ownership by the people.

FOOTNOTES

1. Sun Yefang: "Certain Theoretical Question of the Socialist Economy," People's Publishing House, 1979 Edition, p 151, in subsequent quotations, "Ibid, Part I" refers to this book, and "Ibid, Part II" refers to a continuation of this book.

2. Ibid, Part I, p 214.
3. Ibid, Part II, pp 177, 187.
4. Ibid, Part II, p 188.
5. Ibid, Part II, p 323.
6. Ibid, Part II, p 194.
7. Ibid, Part I, pp 13, 36.
8. Ibid, Part I, p 156.
9. Ibid, Part II, p 191.
10. Ibid, Part II, p 192.
11. Ibid, Part I, p 182.
12. Ibid, Part II, p 56.
13. Ibid, Part I, pp 80-81.
14. Ibid, Part I, p 216.

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[Article by Xiao Liang [2556 0081] of the Editorial Department of ZHONGGUO SHEHUI KEXUE [CHINA SOCIAL SCIENCES]: "On Distribution Under the System of Collective Ownership"--written April 1983]

[Text] The problems related to distribution in the collective economy reflect a major aspect of the characteristics of collective ownership. Handling satisfactorily, in accordance with the characteristics of collective ownership, the problems related to distribution in the collective economy is of great significance in giving play to the initiative of our collective enterprises and their staff members and workers (commune members), in satisfactorily carrying out production, administration and management, and in consolidating and developing the collective economy.

What I am going to discuss in this article mainly concerns distribution in the urban collective economy and I can only mention in passing the distribution in the rural collective economy.

I.

In his article entitled "Critique of the Gotha Program," Marx pointed out that before carrying out distribution among individuals of the labor income of the collective--the gross social products--it is imperative to make the following six deductions: 1) A deduction to compensate the enterprise for the consumed part of the means of production; 2) that to be added to the funds for expanded reproduction; 3) that for insurance and reserve funds to deal with unfortunate accidents and natural disasters and so forth; 4) that for general administrative expenses not directly related to production; 5) that to satisfy common demands (such as schools and public health facilities); and 6) that for establishing a fund for people who lose their working ability and so forth.¹

After making the above-mentioned deductions, Marx said that "It is precisely after this that we can talk about distributing the part of means of consumption among individual producers of the collective."² This means carrying out the distribution of personal means of consumption according to labor.

1. Marx: Selected Works of Marx and Engels: "Critique of the Gotha Program," Vol 3, pp 9-10.

2. Ibid.

The labor products of the collective mentioned by Marx not only denote specifically what we mean here by the labor products in a collective economy but also denote generally the labor products in an economic sector in which laborers jointly own their means of production. However, undoubtedly the spirit of Marx' works is applicable not only to the current economic sector owned by the public but also to the collective economic sector at the present stage. It is precisely at the time when the various deductions are made from the labor products in the collective economy that differentiation should be made.

In the sector owned by the public at the current stage of socialism, as a principle, except for the first item of deduction, which must be arranged and retained by the enterprise, the above-mentioned six deductions must generally be used and distributed in an unified manner by the general representative of the society--the state (there will be more or less of a change after the substitution of taxes for profit delivery). In the deductions in the collective economic sector, with the exception of the first deduction, which is mainly treated in the same way as in the state-run enterprises of the publicly owned sector and, which must be distributed and retained for use by the collective enterprise, different degrees of division of the rest of them must be carried out between the socialist state and the collective enterprise. The tax paid to the state by the collective enterprise will include all the parts of the total deduction that is to be delivered for the state's disposal.

The part of the deduction delivered to the socialist state by the collective enterprise is a bounden duty to be performed by the collective enterprises' laborers for society. However, the delivery of the part of the deduction delivered to the socialist state by the collective enterprise must be carried out in accordance with the principle of allowing no encroachment on the interests of collective enterprise. Also, the question of whether it is appropriate for the socialist state to allocate and use in an unified manner some items of deduction, or for the collective enterprises to retain them for their own allocation and use, will be solved in accordance with the different circumstances and policies. The method of solution is not fixed.

Now, we shall make a concrete analysis of the distribution in our country's urban collective economy.

The labor products that can be distributed by the collective enterprises consist of the following three parts of value:

1. The part of value which corresponds to C, the part of capital which is used to purchase the means of production under the conditions of capitalism. This is a part that has to be used to make up the consumed part of the means of production, and it can neither be collected by the state nor distributed among the laborers.

2. The part of value which corresponds to V, the part of capital that is used to purchase labor under the conditions of capitalism. In our socialist collective economy, this part of funds is precisely the funds for the wage and bonus payment that the laborers acquire through their labor from the collective enterprises. From the point of view of the enterprise's production, these wages also constitute a part of the production funds.

3. The part of value which corresponds to M, the value created by the laborers and which was taken by the capitalists under capitalist conditions. We call this surplus products, which are embodied in the profits of our collective enterprises. In our collective enterprises, the distribution of this part of products will include, excepting the first item, the remaining five of the above-mentioned six items of deduction, the enterprise's reward funds and so forth. It is precisely the part which we have mentioned above and which should be divided between the state and the enterprise.

At present, the collective enterprises hand over this part of value in the form of tax payment. Our tax mainly consists of two parts: the unified commercial and industrial tax and the commercial and industrial income tax. For our production enterprises, the unified industrial and commercial tax is precisely the industrial and commercial tax which is paid for the industrial products in the process of their production and which is a component part of their ex-factory prices. Therefore, it is not embodied in profits. However, it undoubtedly is a part of our gross national revenue that is created by the laborers in our collective enterprises. In theory, it must be a part of M, and it is one of the contributions made by the laborers in our collective enterprise for the state and the people. As for our industrial and commercial income tax, it is obviously levied in accordance with the amount of profit.

At present, in the distribution in our urban collective enterprises, there are the problems that the rate of our income tax is too high and that the tax threshold is too low. This can enable our state to get more revenue, but our collective economic sector mainly depends on the funds amassed from itself to carry out expanded reproduction. If the tax charge is too heavy, it will not only be detrimental to the development of the collective economy itself, but will in the end also be detrimental to the expansion of the source of our state's tax revenue. Therefore, this problem should be properly solved in the process of economic readjustment and reform.

II.

At present, with regard to distribution, the most serious problem in the area of distribution in our urban collective economy is the distribution of the after-tax profits.

According to the nature of our collective enterprises, their after-tax profits must originally belong to themselves. However, under the long-standing influence of "leftist" thought, an extremely large part of after-tax profits in these enterprises becomes something that these enterprises' laborers cannot collectively dispose of or use because of the widespread malpractices of prematurely upgrading their ownership, because of the implementation of the measures of the principal responsible departments assuming overall responsibility for profit or loss and because of the various kinds of irrational apportioning of charges and "exorbitant taxes and levies" imposed by these departments. Most of the principal responsible departments over, and the units in charge of, the collective enterprises are also the organizations at the level of state power. This practice is, in essence, an "equalization" of the products of collective labor and is a kind of encroachment on our collective economy. We should restore the collectively

owned nature of this kind of enterprise through adopting the measures of separating government from enterprises and switching the practice of a department being responsible for the consolidated profit or loss of all enterprises under it to enterprises being independent accounting entities and being solely responsible for their own profits or losses. At present, these measures are being carried out in quite a lot of localities under the guidance of the upper levels and some good results have already been achieved.

However, at present, there are still some comrades who have hesitated to adopt these measures and still differ in their understanding. Some comrades even put forth a variety of "reasons" to defend the malpractices of a department being responsible for the consolidated profits or losses of its enterprises and of transferring the collective enterprises' profits to the upper levels. There are in the main the following three reasons.

The first "reason" is that this practice facilitates employing funds in a centralized manner in order to develop some enterprises and undertakings in a planned manner. In a sense, this conforms to facts. Some of our existing collective enterprises in some localities have been developed precisely because the principal responsible departments collect the profits of their collective enterprises and use them in a centralized manner. However, this is an encroachment on the interests of our collective enterprises and, in exchange for the benefits, we have dampened the enthusiasm of our collective enterprises' laborers in conducting production and management. Therefore, it is by no means to be recommended. From the point of view of satisfactorily managing and safeguarding our collective economy, the collective enterprises must be able to dispose of and use their own profits.

The second "reason" is that at present, the fixed assets of quite a lot of collective enterprises have taken shape in the long-standing circumstances of a department being responsible for the consolidated profits or losses of its enterprises. Therefore, it is now difficult to say that these assets are created by the staff members and workers themselves. This is why it is not appropriate to switch to the practice of enterprises being solely responsible for their own profits or losses. We must esteem history and the present situation. Even in the process of switching to the practice of enterprises being solely responsible for their own profits or losses, different cases should be handled in a different manner in the light of different conditions. There is something rational in this kind of view, namely, when we switch to the practice of enterprises being solely responsible for their profits or losses, we should not mechanically seek uniformity. We should take into consideration the amount of means of production owned by the collective and the difference in the formation and source of their fixed assets. For example, in order to reflect this difference, we can consider the method of sharing a part of profits in proportion to investment or raising a charge on the employment of fixed assets after we have shifted to the practice of enterprises being solely responsible for their profits in the enterprises (cooperative factories) that have been established by the principal responsible departments or with the funds jointly raised by a number of communes. However, this is aimed at more satisfactorily carrying out the practice of enterprises being solely responsible for their own

profits or losses and at enabling the after-tax profits of the collective enterprises to be actually possessed and used by those who earned the profits. It will be wrong if we use this as a "reason" to negate the practice of enterprises being solely responsible for their own profits or losses.

The third "reason" is that owing to the irrational pricing at present, there is quite a wide difference in the amount and level of after-tax profits in our collective enterprises. If all the after-tax profits are possessed and used by the collective enterprises themselves, the phenomenon of inequality of burden and benefits will emerge and the problem of an equal amount of work being not able to earn an equal amount of income will crop up. However, in order to solve this problem properly, we can only rely on the reform in our price system and the readjustment in the tax rate on different products. Before prices can be to a great extent readjusted, we must mainly rely on the readjustment of our tax rates to solve the problem and cannot rely on the practice of a department being responsible for its consolidated profits or losses. As for the difference in the amount of profits and income caused by the difference in quality of labor, administration, and management in collective enterprises, it should be permitted; for there is no harm in it.

Of course, this does not mean that the upper levels cannot collect and amass for employment the after-tax profits of our collective enterprises. However, this can only be carried out in the following circumstances.

1. The delivery of profits is a transfer to the collective undertaking funds of the combined cooperatives at various levels that have been formed by combining many collective enterprises. A part of these funds is used for helping collective enterprises. A part of these funds is used for helping collective enterprises that are in difficulties in conducting their production, using the surplus funds of other enterprises. This is in nature a kind of mutual aid. Another part of the funds is used for running the welfare undertaking for all the collective units in the combination and for training management cadres of the collective enterprises. In this manner, the funds are collected from the collective and used for the collective and this is, therefore, different in nature from "equalization." In order to solve problems that are common to all parts of the collective economy and to promote the development of the collective economy, it is essential to restore and satisfactorily manage the combined cooperatives at various levels and to establish the cooperative undertaking funds. A combined cooperative is an organization that combines a number of collective enterprises. It differs from the administrative departments of the government. Its collective undertaking funds that are collected from its collective enterprises also cannot be regarded as being similar to the part of profits that government principal responsible departments collect from collective enterprises or be included in the consolidated profit and loss accounts of these departments. We must draw a clear demarcation line between them. At the same time, the collective enterprises should contribute to the collective undertaking funds only a small part, not a big part or even the whole, of their after-tax profits. Those enterprises that have earned very little in profits are allowed to deliver little or no profits. Otherwise, this will in fact be a practice of "equalization."

2. When a collective enterprise has formed a combination or a combined professional company with other enterprises (including either publicly owned or collective enterprises) to satisfy the need for developing production, it is necessary for the enterprise to contribute to the administration expenses of the combination or the company. This is an internal economic relationship between the economic organization and the enterprise under it. This is one case. Another case is that because of need in developing production, some collective enterprises have merged, on a voluntary basis, into a company of the nature of an enterprise. In such a case, the company itself is a collective enterprise on a bigger scale and the previous collective enterprises have now become factories under the company. Under these circumstances, it is reasonable and permissible for the collective company to implement a unified accounting system and to be responsible for the consolidated profits and losses of all the factories under it. This is something that takes place inside an enterprise and it differs from the current practice of a government principal responsible department being responsible for the consolidated profits and losses of all the enterprises under it.

Moreover, the part of the after-tax profits of the collective enterprises that is collected by the state by means of legislation for certain special needs should not be confused with apportionment and "equalization" either. But this is a special case. For example, in order to amass funds to speed up the construction of key projects, the state has decided to establish an energy and communications key project construction fund. If a collective enterprise wants to carry out its own capital construction project, it has to contribute to this key project construction fund at a certain rate. This is helpful not only to the construction cause of the whole country but also to the enterprise itself. For only when energy and communications undertakings have developed can a collective enterprise be provided with conditions for its further development.

In short, ensuring collective enterprises are able to dispose of and spend their own after-tax profits is a problem related to distribution, but, in essence, it is also a major issue concerning the safeguarding of the nature of their collective ownership.

III.

Now, what is left is to be distributed among the laborers as individuals. From an economic view, it consists of two parts: V and a small part of M. V denotes the funds for wages and the small part of M denotes the bonus funds and dividend funds transferred from a part of the after-tax profits of enterprises.

In the urban collective economy, V is generally distributed among the laborers in the form of wage payment and the small part of M is paid to individuals monthly or at year-end in the form of bonuses or dividends. This part of labor products can only be distributed according to labor.

Are there any special features in the distribution according to labor that is implemented in a collective economy? Yes, there are the following major special features.

1. In a collective economy, the distribution according to labor can only be carried out within an enterprise as an entity. This means that inside a collective enterprise we should manage to achieve the aim of equal amounts of labor being rewarded with equal amounts of products. However, the exchange of goods between enterprises must only be carried out as an exchange of equal value, and equal amounts of labor cannot be paid for with equal amounts of products. For better different collective enterprises, there are the differences in natural conditions, technical equipment, and standards of administration and management, and great differences in the results of labor. Therefore, in different collective enterprises, the same amount of labor receives different remuneration.

2. In implementing the principle of distributing according to labor in a collective economy, the form of paying dividends according to labor is an appropriate form of distribution. Of course, the dividend payment here means the part of payment from the small part of M--the bonus and dividends funds from the after-tax profits. However, in a few very small collective units, V is also used for this dividend payment. Why is it appropriate to distribute among laborers as individuals in the form of paying dividends according to labor in a collective economy? This is mainly because at present the wage income of the staff members and workers in our collective enterprises is comparatively low and the collective enterprises, having implemented the system of being solely responsible for their profits and losses, do not have a very steady income. As the labor dividend funds are transferred from the after-tax profits of a collective enterprise, this determines that the enterprise can only pay dividends when it earns profits. If the enterprise suffers losses or does not earn any profits, it will have no funds for dividend payment. Therefore, the amount of dividend payment rises as the amount of the enterprise's profits rise. As a result, the personal interests of the laborers are closely and directly related to the quality of management of the enterprise. This method will surely urge every member of the collective enterprise to show concern for the production and management of their enterprise out of their personal economic interests. Thus they will foster the sense of responsibility as masters of their enterprise and try by every means to practice thrift and to conduct satisfactorily the production and management of their enterprise. In addition, in the past, paying dividends according to labor or shares has been an old custom in our country's collective economy, so it is more easily accepted by the masses of people than paying bonuses. Therefore, this reform, the collective enterprises in quite a few areas have resumed the method of paying dividends according to labor or shares. Dividends are mainly paid according to labor, but in order to encourage the masses of people to invest their money in shares of their enterprises, some enterprises have allocated a small percentage of dividend funds for paying share dividends. It seems that this is a feasible method. Of course, paying dividends according to labor and shares does not necessarily mean a negation of the form of wage and bonus payment. A relatively good method is to implement a floating wage system (for example the system of fixing a piece rate for each job, that of linking the percentage of sharing with profits [lian li fen cheng 5114 0448 0433 2052] and that of paying a piece rate for above-quota products). Concerning cadres, technicians, and old workers, we should pay them an appropriate level of allowance according to their profession, qualification, and seniority.

IV.

What changes and special features have arisen in the distribution in our collective enterprises since the implementation in our rural areas of the responsibility system with remuneration linked with output, especially in the circumstances of the implementation of the all-round responsibility system geared to households? The main special features are:

1. The deduction by society mentioned by Marx is now carried out in the form of delivery by the assignees to the state and collective instead of the past practice of collective enterprises carrying out distribution as economic entities. This is a practice described by people in the saying "having paid sufficient to the state and the collective, what is left belongs to a laborer himself." The sufficient part paid to the state and collective is the part deducted by society and is what a laborer gives in performance of his duties to and in making contributions to the state and collective. In the past, this part of products was taken by the state and collective through direct deduction, but now this is carried out in the form of delivery. The part left for the laborer is equivalent to the remuneration that a laborer received in the past from the collective enterprise. This means that both the form and method of the deduction are different from the previous ones.

2. The part mentioned by Marx that is to be distributed among the laborers after the various kinds of deduction embodies a different relationship from that of the past. The relationship between laborers and the collective economy is no longer merely a relationship between laborers as individuals and the collective economy, and it is, moreover, an all-round contracting relationship between those who undertake production and the collective economy. Then, after implementing the household contract responsibility system in order to increase output and income, it is necessary for the assignee to personally invest in his undertaking by means of purchasing means of production and applying additional chemical fertilizer. This has given rise to the fact that the final part "left over for the laborer himself" includes not only the remuneration for his labor but also a differential income from the different degree of ownership of the means of production. In the circumstances of the implementation of the all-round household responsibility system, there are no longer any unified yardsticks or forms of distribution for laborers. This means that as long as a laborer has delivered the part for the "deduction," what is left belongs to the laborer as an individual and to his family. According to the above aspects of difference, though this form of distribution does not run counter to distribution according to labor, it has already become a distribution according to labor that is completely different in meaning. To be more accurate, it means not only a greater amount of remuneration for a greater amount of labor, (which is not equivalent to distribution according to labor) but also a greater amount of remuneration for a greater amount of output. However, because the collective economy still exists as economic entities and continues to play its role as assigner of all-round responsibility and because the major means of production such as land continue to be owned by the public, in general, we can still regard this part of the distribution of labor products as distribution according to labor.

NATIONAL POLICY AND ISSUES

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[Article by Wang Yongyin [3769 3055 6892]: "A Discussion on the Objective Criteria for Whether or not the Scale of Investment Is Rational"]

[Text] An increasing number of people have come to understand the importance of determining and maintaining a rational scale of investment. But the problems of what constitutes a rational scale of investment and by what standard or criterion it should be measured have not yet been solved. To study how large a scale of investment is suitable requires first of all a study of the problem of methodology. This is an important prerequisite.

I.

One of the important reasons for the basic disparity in the viewpoints on the scale of investment is that some comrades look at the problem from the angle of demand whereas some comrades look at it from the angle of supply.

The purpose of socialist production is to satisfy the daily increasing needs of society and its constituents. If satisfaction of needs is not the starting point of fixed asset investments, then they lose their nature of direction and objectivity. Hence, actual needs must be taken as the basis for determining the scale of fixed asset investments, including the amount of investments to be arranged for, the number of investment projects, and the contents of each and every project, and there should not be the least bit of subjectivism. But to have needs alone is still not sufficient; in determining the scale of investment the factor of supply must be taken into consideration. This is because whether or not the scale of investment can be realized and to what extent it can be realized are entirely determined by what assurance there is concerning the availability or supply of financial power, material resources, and manpower. Any scale of investment without such assurance of availability is only a castle in the air. In short, need or demand is the motive power of investment, whereas supply provides the condition for its realization. Neither one of them can go without the other. Hence, the correct method of arranging the scale of investment is to look at demand and at the same time at supply and to strive to bring about their best combination.

Determination of the scale of investment on the basis of the union or combination of demand and supply is not only necessary but also possible. As we all know, both the demand for investment and the supply for investment are determined by many changeable factors. As for the volume of demand for fixed asset investments, it is mainly determined by the high or low composite economic targets and social development objectives comprehended in medium-term and long-term plans; the degree and potential of the possibility of the continued use of the original fixed assets; the quantity and value of the fixed assets that must be replaced by material objects or compensated for in value in due time; the changes in the coefficient of the investment effects of the production capacity formed by the investments of each unit; whether the reproduction form of the fixed assets is mainly by extension or mainly by intension; and also factors such as the net growth rate of the gross national population and employment figures. All these factors themselves may develop changes and in reality the amount of investment demand they can generate is also directly related to the good or bad character of our work performance. This is to say, investment demand has a definite character of flexibility and is not unchangeable. Similarly, the capability of supply of fixed asset investments is determined by the speed of the growth of the national income, particularly of the per-capita national income; the ratio between accumulation and consumption in the national income, the proportion between accumulation of circulation assets and reserve sinking fund in the accumulation funds; the high or low depreciation rate of fixed assets and the amount of the capital depreciation funds; and also the production level, production structure, and production quantity and composition of the products derived therefrom. These determinant factors of the supply of investments, following diversified efforts made, can also be differently arranged and organized, resulting in the formation of different amounts of supply of investments. Hence, the demand and supply of investments are not unchangeable constants but variants of a certain flexible nature. This creates for us the possibility of coordinating and regulating the supply and demand of investments. When the capacity of supply of investments exceeds the demand for investments, we can, by means of expanding demand and increasing the investments, make them approach each other; when the demand for investments exceeds the capacity of supply of investments, we can, by means of measures such as augmenting management and control, tapping potential and improving economic results, actively expand the capacity of supply of investments and suppress the irrational investment demands so as to narrow the disparity between the two.

But it must be seen that basically to eliminate the contradictions between the supply of investments and the demand for them, so that the two can attain unanimity and unification for a relatively prolonged period, is by no means an easy matter. The reasons are: First, because of our limited or low planning level, and our relatively backward planning tactics, we cannot make a sufficiently correct measurement of the quantity of supply, and the quantity of demand. Second, within a stated period, expanding the supply of investments and depressing the demand for investments are subject to limitations. Third, in a socialist economy there is a tendency to enlarge the scale of investments and the demand for investments very readily gets in front of the supply of investments. The last point in particular deserves special attention. In a capitalist society, because of the existence of contradictions between the expansion of production capacity and the shrinkage, relatively speaking, in consumption demand which is backed by real purchasing power, the profitable investment areas of

capitalists are being narrowed down day by day and insufficiency in demand keeps in check the unlimited inflation of investments and of production capacity. Thus, in a capitalist society, in addition to clear cases of capital insufficiency during the primitive stage of capital accumulation and the postwar recovery period, under general conditions, the major issue that society must tackle is the relative surplus of capital that recurs periodically.

On the other hand, in our midst, what principally needs solution is the contradiction between the people's daily increasing material and cultural needs and the backward social productive force, while at the same time consumption demand not only is not an impediment to the expansion of the production capacity but is rather a promotional force for expansion of production, as a result of which the investment field is unlimited and the supply of investment can possibly become insufficient. In particular, at the present stage, our country is still relatively poor. This invokes a demand for an increase in investments and for speeding up construction. But poverty places a restriction on construction from the standpoint of both financial power and material resources and forbids making the scale of investment too large. Moreover, in the investment sector, the practice of "everybody eating from the same big pot" is in vogue, a truly authoritative and legally effective responsibility system is lacking, and, as a result, this gives rise to the trend of fighting for investments and fighting for projects but failing to give due regard to investment results. Under such conditions, if demand is made the determinant criterion in the formulation of plans, then it will bring about an inflated scale of investment, exceeding the permissible limit of the financial power of the nation and causing the emergence of results which are beyond control. In the past, this problem was not sufficiently understood. Although, in determining the scale of investment, consideration was given to the feasibility of supply, when there was a contradiction between the two factors, generally speaking, feasibility was placed second to demand, and, in particular, was made subservient to certain unrealistic high-target demands embodied in medium-term and long-term plans, thus placing the scale of investment out of control. A classic example was what happened in the year 1978 when, for the purpose of following the high targets advocated in the 10-year plan, there was a sharp increase in capital construction investments, resulting in the financial results of the central government going into the red. Subsequently, when compiling the 1979 plan, an "enormously big dish" of capital construction projects was offered and the result was that certain readjustments had to be made. Judging from these past lessons, it is necessary that we understand this principle underlying the determination of the scale of investment, which is that when demand exceeds supply and supply cannot yield any more from further tapping, then demand must be made subservient to supply and must not lead supply "by the nose." This is an important measure to prevent the excessive expansion of the scale of investment.

II.

Financial power is one of the important conditions for controlling the scale of investment. To study how large the scale of investment the available financial power will permit, we must make a quantitative analysis of the relations between financial power and investment. This necessitates devoting our attention to examining the scientific character of the targets and the compatibility of the measuring standards. At present, certain comrades in the theoretical circles

and in the business departments are accustomed to using, as yardsticks to measure the degree of rationality of the scale of investment, such standards and guidepoints as the proportion of fixed asset investments in the national income and whether or not fixed asset investments or capital construction [word indistinct] accumulation funds. This type of analysis and method of measurement are obviously too simple. They can hardly give an overall reflection of the problems actually existing.

First, as everybody knows, fixed asset investments, aside from coming mainly from the national income, are also derived, to a certain extent, from the transfer of old or original value, that is to say, from the capital depreciation funds of the fixed assets. At present, of the fixed asset investments, the proportion mainly derived from the use of the capital depreciation funds for investments in renovation and rebuilding is about 30 percent. It is likely that from now on this proportion will be further enlarged. Hence, the proportion of fixed asset investments in the national income is naturally shown to be larger than the results of measurement on the basis of compatible standards. This false phenomenon, resulting from relatively enlarging the ratio by means of making the denominator smaller, conceals the actual proportion occupied by the fixed asset investments and can hardly be used to denote the degree of rationality of the investments. In particular, its inaccuracy can be seen all the more clearly if we use a comparison of the growth rate of fixed asset investments with the growth rate of the national income as a standard for measuring the appropriateness of the growth rate of investments. For example, certain comrades, in appraising the scale of fixed asset investment for 1982, were inclined to fix the scale of the fixed asset investment that year on the larger side, on the basis of the increase in fixed asset investments being larger than the increase in fixed asset accumulations that could possibly be derived from the national income. This obviously was not convincing enough, because the amount of increase in fixed asset investments not only includes the newly increased portion available from the national income but also includes a newly increased portion available from the capital depreciation funds. In other words, originally it should be larger than the newly increased fixed asset accumulations that could possibly be derived from the national income. Moreover, in making a comparison between the proportion of fixed asset investments in the national income in our country with the proportion of fixed asset investments in the GNP in foreign countries, because national income does not include capital depreciation for fixed assets, whereas GNP does include this category, then despite an identity in amount between fixed asset investments and fixed capital investments, it can be seen that the proportion of investments in our country is larger than that in foreign countries. This lends force to the argument that the scale of investment in our country and that in foreign countries cannot be compared with each other. Again, when the proportion of fixed asset investment in the national income tends to be on the larger side, it may be due to the capital construction investments having been inflated, but may also be due to a relative centralization of machinery and equipment requiring renovation and rebuilding and a rapid increase in the renovating and rebuilding investments. If the latter happens to be the cause, then since renovation and rebuilding investments are basically derived from the depreciation sinking funds, and if the use of the funds is definitely confined to the simple reproduction and expanded reproduction by intension of the fixed assets, the possibility of danger cannot be too great. Conversely, when the proportion of

fixed asset investments in the national income is relatively appropriate, it may possibly be the result of a sharp increase in capital construction investment and a sharp decrease in renovating and rebuilding investment offsetting each other. In this case, the problem of capital construction squeezing out renovation and rebuilding and expanded reproduction squeezing out simple reproduction will be concealed by this type of unscientific proportion, and their real irrational nature cannot be shown.

Second, the level of the sources of fixed asset investments is definite and fixed and cannot be reduced without reason or enlarged at will. Now there are people who believe that fixed asset investments, aside from being derived from accumulation funds and depreciation funds, may also come from domestic loans and utilization of foreign capital. This is entirely a kind of misinterpretation. As for the concrete avenues of raising funds, they are not indeed confined to one or two. As can be seen at present, the funds may be allocated by the state budget, or raised by the localities and the enterprises themselves, or arranged by domestic loans, or derived from utilization of foreign capital. Of these funds, some may be derived from value created in surplus labor time, some from compensated value from fixed assets, and some from consumption funds. In other words, the C, V, M constituent portions of value can all be used in investment. But, speaking from the standpoint of society as a whole, these funds of diversified forms and from diverse avenues all have passed through distribution and redistribution and are classified as accumulation funds or depreciation funds in accordance with their use. This represents the formal statistical specifications and methods of calculation in our country at present. Hence, accumulation funds and depreciation funds constitute the whole of the financial sources for fixed asset investments. If domestic loans and utilization of foreign capital are taken as, and lined up with, accumulation funds and depreciation funds as financial sources, then there will be double-counting and it will be the cause of falsehood in financial sources.

Third, between fixed asset investment and national income, and between capital construction investment and accumulation funds, there exist definite quantitative relations, but this kind of quantitative relations cannot be interpreted as relations of growth at equal speed. First of all, the starting point of growth in investment may not always be rational; hence, growth of equal speed built on this basis is not necessarily rational. If, in the base period the fixed asset investments or the capital construction investments are inappropriately and excessively reduced, then in the period covering the whole plan it would be comparatively appropriate for the growth rates of these investments to be separately and slightly faster than the growth rates of the national income and the accumulation funds. Conversely, if, during the base period, the growth rate of the fixed asset investments and of the capital construction investments is too large or too fast, then for the period of the entire plan, their growth rates should be made lower than the growth rates of the national income and the accumulation funds.

Under these two kinds of conditions, if growth at equal speed is still insisted upon, then the original problem of an imbalance in proportionate relationship not only cannot be solved but may become more serious and complicated. For example, according to the principle of growth at equal speed, the capital

construction investment in 1959 should have been over and above the doubling in 1958, further increased by 12.6 billion yuan, while in 1981 the fixed asset investment should not have shrunk by 7.8 billion yuan but should have been increased by 2.2 billion yuan over the figure in 1980, in which year the scale of investment had already tended to be large. It can thus be seen that many of the figures calculated on the basis of growth at equal speed are unreliable.

Next, the speed of increase in fixed asset investment and capital construction investment is determined not only by the size of the national income and of the accumulation fund, but also by their material contents. Given a definite volume of national income or accumulation fund, if, in the material composition of the national income, the proportion of means of production is large and if, in the material composition of the accumulation fund, the proportion of means of production, such as machinery and equipment which can be readily transferred into fixed assets, is large, then the growth rate of fixed asset investments and capital construction investments can be faster. Conversely, if, in the material composition of the national income, the proportion of means of consumption is large and if, in the material composition of the national income, the proportion of means of consumption is large and if, in the material composition of the accumulation fund, the proportion of means of production of a circulating character, such as raw materials and fuel energy which can stand consumption only once, is large, then the growth speed of fixed asset investments and capital construction investments can be slower. Hence, irrespective of the amount of increase of the national income and accumulation fund, if their principal material composition does not comprise means of production that can be used in investment, they will not play any great or assuring role in increasing the investments. In such circumstances, if growth at equal speed is obstinately attempted, it is likely that a portion of the investments will fail to be realized because the material conditions cannot keep pace. Conversely at time, despite the slow growth rate of the national income and the accumulation fund but with their material contents principally constituting materials which can ensure investment, to attempt a growth rate at equal speed may bring about a situation of shortage of funds in comparison with the availability of materials with the result that a portion of the construction materials will have to be stockpiled, thus hampering the normal development of production and construction.

It can thus be seen that growth at equal speed is not always correct under any circumstances. It must have special conditions and a special situation as a prerequisite, that is, that both the base period and the period of the whole plan are periods in which there is stable economic development and a relatively rational industrial structure. Seen from the over 30 years of our past experiences, an ideal period of this kind is very rare. Even during our highly lauded period of the First 5-Year Plan, the scale of investment was not arranged in accordance with the principle of growth at equal speed. Hence, the scope of application of the principle of growth at equal speed is extremely limited and cannot be taken as a general formula that can be universally applied. Not to make a careful analysis of the concrete conditions of a period and of cause and effect and to simply copy or rigidly hold to the formula of a growth rate at equal speed is not beneficial to the necessary readjustment of the national economy or to its proportionate and harmonious development.

Fourth, fixed asset investment embodies two portions, namely, capital construction investment and renovation and rebuilding investment. In their realization, these two portions infiltrate or merge into each other, each forming part of the other. Hence, in studying the scale of investment, it is necessary to make a clear demarcation line between the two and to remove the infiltrated portions of each. Removing from capital construction the portion that belongs to renovation and rebuilding meets with no impediment in theory but removing from renovation and rebuilding the portion belong to capital construction will raise the complex question whether or not depreciation funds can be used in the nature of accumulation. Generally speaking, because, after the original value of certain fixed assets has been fully compensated by replenishment from the depreciation fund, the material objects still remain in the production sphere and, in the course of their utilization, the cost of their wear and tear is added on to the production cost, as a result of which there emerges the situation of the depreciation fund being larger than the original value of the fixed assets. In addition, the amount of depreciation funds set aside prior to the renovation period can be "sedimented" and not used for a time, while progress in technology can bring along "invisible wear and tear" of machinery and equipment and it is possible that simple reproduction of the fixed assets can be carried out without having to use much capital as originally. Therefore, for the sake of the rational utilization of funds, a portion of the depreciation funds can be used as accumulation funds. It was precisely in this context that Marx said: "A depreciation fund is a compensatory fund for the wear and tear of fixed capital, and at the same time is an accumulation fund."* But here the logical premise is that there should be no effect on the simple reproduction of fixed assets, that is, a depreciation fund must first play the role of a compensatory fund, and only when there is a balance left after compensation can it be used as an accumulation fund and in no way should this order be reversed. Actually, the situation we are currently facing is that we are far behind in the renovation and technical transformation of the enterprises. At the present moment, if we were to use the whole of the capital depreciation fund laid aside each year for the country as a whole on the simple reproduction of the fixed assets, it would still require more than 10 years before all the equipment could be renovated. Hence, it may be foreseen that in the next two or three 5-year plans, there is no possibility of making direct use of the depreciation funds as accumulation funds. It will be possible only on the basis of the union of the simple reproduction and expanded reproduction by intension of the fixed assets, and taking the form of renovation and rebuilding, to make a portion of the depreciation fund play the role of an accumulation fund.

Fifth, in analyzing the scale of investment that can be permitted according to the state's financial capacity, the portion that can be derived from fixed asset capital depreciation funds can be comparatively more easily calculated. We need only multiply the composite depreciation rate by the gross original value of the fixed assets of the state-run enterprises embodied in the budget and obtain therefrom the product. But, as for the proportion of the national income that can be used on investment, the calculation is comparatively more

* Marx: "Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (III), pp 58-59.

complex. If there is any discrepancy in the figures, or if the computation method used is not scientific enough, it may lead to the computation results losing their truthfulness and reliability. What should be noted at the moment is that certain comrades, when computing the extent of the increase in investment on the basis of the increased volume of the national income, made use of the ratio, figures, and even method of computation that should only have been applied to the national income as a whole and not to the increased portion, thus resulting in unavoidable errors. For example, in 1982, the utilization volume of the national income was 425.4 billion yuan. Under ordinary conditions, 70 percent should be devoted to consumption and 30 percent to accumulation; of the accumulation, and 70 percent of accumulation of the state; of the state's accumulation, 30 percent should be deducted for circulating asset accumulation and reserve funds, after which the remaining 70 percent would constitute fixed asset accumulation. As a result of the calculations, the amount of the fixed asset accumulation was found to be 62.5 billion yuan, representing the portion of the national income available for use on capital construction investments. If computation is made on the basis of the volume of increase of the national income, it is found that the increase in the utilization volume of the 1982 national income was 40.5 billion yuan. Using the above-mentioned three sets of "30:70 percent" ratios in computation, the newly increased fixed asset accumulation should amount to 6 billion yuan. Adding to this the base figure of capital construction investments in 1981, amounting to 44.3 billion yuan, a gross figure of 50.3 billion yuan is obtained. From these calculations, it can be seen that concerning the volume of investment permissible from the national income there is a disparity of over 12 billion yuan between a computation on the basis of the whole volume of national income and one based on the increase in the national income alone. In the end, which figure is nearer to reality? Naturally, it is the former. This is because the three sets of "30:70 percent" ratios are proportions of the whole volume and not of the volume of increase. It is true that the amount of investments computed on the basis of the whole volume is larger, but if we take into consideration such factors as that the increase in the national income that year had been rather brisk, that the improvement in the people's standard of living had not taken such big strides as in the past 3 years, and that there had been a relatively large decrease in capital construction during the preceding year, then this phenomenon may be said to have been basically normal. Unfortunately, certain comrades were not aware of such a sharp difference in the results between these two sets of calculations. They were under the impression that both sets could produce more or less the same resulting calculations if based on the volume of increase and the "30:70 percent" ratios. The resultant figure was thus not in conformity with reality.

III.

Marx has already pointed out: "This process of social reproduction involves not only value compensation but also material compensation. Hence, it must be subjected to the restriction of the proportion of the component parts of the value of the social products and must also suffer from the restrictions imposed by their use value and their material formation."* This likewise applies to fixed asset investments taken as a sort of special activity in fixed asset reproduction.

* Marx: "Das Kapital," People's Publishing House, 1975 Edition, Vol 2, pp 437-438.

Some of our comrades see only financial power as a restrictive condition on the scale of investment but lack a sufficient understanding of material resources as an even more important condition of restriction. In reality, the restriction exercised by material resources on the scale of investment is far more stringent and direct than that exercised by financial power. The reasons are: First, movements of the value of the social gross product and movements of its use value have a definite and mutually independent character. National income and financial revenues can possibly be conceived to possess a certain degree of false composition. For example, the inclusion in the product value of a portion of valueless and unmarketable goods and remitting it as profit earnings creates a situation of financial power surpassing material power. Second, funds for various uses are all expressed in terms of money or currency. They do not have any difference in quality and can be interchangeably used, and raising funds is easy. But material objects have a usefulness that is special and specialized and possess a strong "time-and-space" character. Even when funds and material resources are more or less identical in volume, when put to use to meet concrete needs, problems of unsuitable varieties or specifications in the materials and of disharmony in time and in space may arise and it may be found that the volume of material resources that can really play a role is smaller than the volume of funds. Third, changes in the use of funds can be made within a short period of time, but readjusting the production structure to conform with such changes cannot be done within a short period of time. These kinds of uneven steps and disparity in time between funds and material objects may render futile the use of a portion of the investments due to the lack of a timely and effective accompaniment by material resources. This illustrates that there is a disparity between the sayings "do according to your means" and "do according to the amount of material objects you have on hand," as the scale of investment permissible by material power is usually smaller than the scale permissible by financial power. In reality, if investments are arranged not in accordance with the capacity of material power but in conformity with the capacity of financial power, then the scale of investment will very likely fail to be realized wholly or on schedule. For a prolonged period, people have been saying: "Do according to your means." Seen from the angle of practicing savings and achieving financial equilibrium, this kind of saying is naturally correct. But if the scale of investment is determined by only the amount of money available and not by the quantity of material objects available, then the scale will not be comprehensive enough because it neglects the fact that frequently funds can be more than the quantity of marketable goods needed and that the scale of money investment can very easily become too large, resulting in a gap in material resources and thus adversely affecting the investment results. The safest and most reliable method is first to effect an equilibrium in material resources, and, on the logical premise of being financially feasible, insist on arranging the scale of investment according to the capacity of the available material resources.

This being the case, how shall we proceed to determine a rational scale of investment on the basis of an available supply of material resources? In his analysis of social reproduction under capitalism, Marx pointed out: only when the gross product of the first category is equivalent to the sum total of the constant capital of the two categories and their supplementary constant capital can the need for means of production on the part of the social expanded reproduction be satisfied; and only when the gross product of the second category is equivalent

to the sum total of the variable capital of the two categories plus their supplementary variable capital plus the portion of surplus value for consumption can the demand for means of subsistence on the part of expanded reproduction be met. From this it can be deduced that of the whole social gross product, inclusive of the means of production and means of consumption, less the necessary social and individual consumption for livelihood, and less the increase in circulating assets and reserve of material resources, the remaining volume and composition of means of production and means of consumption form the material basis for determining the scale of capital construction investment. Of the portion of the gross social product for use in compensating consumption of a productive nature in simple reproduction and consumption for livelihood, less the floating means of production, such as raw materials and fuels consumed in daily production, less the means of production used in maintenance of equipment, and less the means of consumption for needs in the nonrenovation and nonrebuilding sectors, the remaining volume and composition of means of production and means of subsistence from the material basis for determining the scale of investments in renovation and rebuilding. Lastly, combination of the material bases for these two scales of investment forms the gross material basis for determining the gross scale of fixed asset investments. Since the means of production and means of subsistence required in fixed asset investment are rather large in volume and comprise rather complex varieties, it is apparently unrealistic to demand that each and every kind must be in readiness before the start of construction. The key lies in there not being any obvious gap in the principal and major materials and in that if only this portion of the material resources required is in plentiful supply, the demand for secondary and isolated materials can be gradually solved or adjusted in the execution of the plan. Concerning this portion of the means of production, principally we should keep track of the extent to which the supply of equipment, steel products, timber, and cement can be ensured, while in regard to the means of subsistence, we should mainly see if the supply of grain and other major consumer goods can conform with actual needs. Looking back at the past, we had the painful lesson of determining the scale of investment without regard to the feasibility, or possibility, of the supply of materials and equipment, and committed the error of blindly expanding the scale of construction without considering whether or not the supply of consumer goods such as grain and others could meet actual needs. To avoid the repetition of these errors, it is necessary to achieve at the same time a balancing in both the principal means of production and the principal means of subsistence and to fix the scale of investment on a foundation of sufficient means of production and means of subsistence being assured and the possibility of fulfilling the job on schedule and at the same time achieving the best results. This is "short-line" equilibrium, but is an extremely reliable balancing.

IV.

In examining whether or not the scale of investment is rational, it is necessary to look at the scale of investment for the current year and also at the scale of investment already in progress and brought forward from past years. Neither one should be overlooked.

If the annual scale of investment is too large, it will generally cause stringency in financial power and material power and bring about an abnormal situation in the form of pressure on production, pressure on maintenance and repair, pressure on the market, and even pressure on livelihood, thus affecting the stability of the whole economy. This has been amply proved by the consequences of the enormous inflation in investments in the 3 years of 1958, 1970, and 1978. Conversely, too small an annual scale of investment may cause the stockpiling of funds and material resources, affect the display of the production capacity of the enterprises, and reduce the development speed in production and construction. Although a condition of this kind never existed in the past, the possibility of its appearance cannot be entirely discounted. Hence, it is necessary to pay high regard to the annual scale of investment and to make the utmost efforts to fix it in a comparatively appropriate manner. But to concentrate attention on the annual scale of investment alone is not sufficient. It is also necessary to watch closely the progress of work in the gross or composite scale which includes projects currently under construction. The construction period in fixed asset investments, particularly in capital construction investments, is long. A project, starting from initial preparation, to commencement of construction, to completion and delivery for use and production, usually requires several years and even several decades of continued and sustained investments.

Moreover, each and every project has a different construction peak period and its investment requirements for different years are hardly identical. Generally speaking, in the first and second years of a new project under construction, its investment requirements are not all large, but after a few years, when construction work is in full swing, its investment requirements will greatly increase.

Hence, if the annual scale of investment fails to comprehend such conditions, then embarrassing problems may subsequently arise. On the other hand, another possible situation is that while outwardly the annual investment scale may be very large, due to the construction peak period having already passed and there being few new construction projects, the scale of construction may tend to be substantially reduced. This illustrates that a temporarily large scale does not necessarily mean that it will remain so subsequently. Thus it can be seen that in determining the scale of investment we should look not only at the current year, but should have regard for both the past and the future, consider the relation between the annual scale and the scale of projects already under construction, and work for an equilibrium that extends over the years.

In examining the gross scale of projects under construction, it is necessary to make a comprehensive survey on various sides, including the number of projects, their size, and the investment structure. At times, although the projects in progress are mostly of medium or small size, their number is rather large and they spread practically everywhere, and sometimes, while the number of projects is smaller than that in the preceding year, the scale of each project can be rather large. All this may lead to inflation of the scale of investment in subsequent years. In addition, sometimes, while the number and scale of the construction projects do not pose any real problem, the direction of the use of the investments, as well as the structure of the investments, may not be rational. This may cause, or aggravate, a proportionate imbalance, bringing about an abnormal development, in the economic structure. In the end, the

situation can be improved only through adding more and more investments but forming a vicious circle of the focal points changing and emerging one after another and sharp increases in investment outlay.

Since the founding of the PRC, the scale of our investments has gone through many ups and downs, and the variations between the years have been rather substantial. Here, the problem may have been an inadequate arrangement of the annual scale of investments but the main problem may be mentioned as our medium- and long-term planning not being scientific and consistent enough. At the same time, too many projects have been undertaken and the gross scale of projects in progress has been too large. This has resulted in making it difficult to call a halt in subsequent years, although eventually and at the crucial moment the brakes must be applied just the same in order to make the scale of investment conform with the available supply of financial power and material resources at the moment. If we should fail to learn from these lessons of past setbacks, errors of this kind cannot be avoided in future years. In 1982, an enormous inflation in the fixed asset investments of our country was seen for the fourth time since the founding of the PRC. Although during that year the financial power of our country was still strong enough to withstand this pressure, a potential danger is still lurking in the scale of projects under construction. According to estimates made by relevant quarters, at present in the country's capital construction the scale of large- and medium-size projects already in progress amounts to the neighbourhood of 150 billion yuan. Even if, from now on, not a single large- or medium-size project were to be added, if we estimate according to the investment level arranged in the 1982 state budget, the present projects already in progress will take 7 more years before they can all be completed. This will exceed the rational average construction period by over 2 years. In particular, what should not be overlooked is that during the periods of the Sixth 5-Year Plan and the Seventh 5-Year Plan, among the new projects to start construction a number will consist of especially large-size projects requiring a large amount of investments. We should early carry out overall balancing work within the limits of the national power, and should arrange well the peak investment periods to avoid overlapping, otherwise several years hence there will be an enormous lashing of the national economy, affecting the stability of the whole economy and the people's livelihood.

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PROVINCIAL WORK REPORTS

JIANGSU GOVERNOR NOTES PAST WORK, FUTURE TASKS

OW101157 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 9 Jan 84

[Excerpts] According to our reporter (Yang Maosen), the Jiangsu Provincial People's Government held an enlarged government members meeting this morning in Nanjing, which was attended by responsible persons of all provincial commissions, offices, departments, and bureaus. Provincial Governor Gu Xiulian delivered a speech on how to create a new situation in the new year. Provincial Vice Governor Jin Xun presided over the meeting.

Comrade Gu Xiulian's speech began with a review of the work in 1983. She said: Last year our province made relatively great advances in all fields of work. In the economic field, we made three breakthroughs last year: the gross value of industrial and agricultural production exceeded 80 billion yuan, financial revenue topped the level of 7 billion yuan, and grain output broke the 60-billion-jin mark.

Comrade Gu Xiulian noted: Our general task for the new year is to make continued and resolute efforts to implement the guidelines of the 12th CPC National Congress and to speed up our pace in creating a new situation in all fields of socialist modernization. To fulfill this general task, we have to devote our efforts to three matters:

1. We must deeply understand the significance of speeding up the pace in creating a new situation in all fields of socialist modernization. We must understand that fulfillment of this general task is a demand of our times, an urgent need under the present situation, and a strong desire of the people.
2. We must make clear the central task in opening up the new situation, and decide on where our efforts should be focused and in what areas we should make breakthroughs. Economic construction is the central task. While putting stress on efficiency, overall interests, and contributions to the state, we must raise our level of organizational work, technology, and management, and increase our capability to develop new products. At the same time, we must focus our efforts on making advances in science and technology, and make breakthroughs in popularizing the application of microcomputers. While grasping the reorganization and merger of enterprises as another important

task, we must make breakthroughs in organizing cooperation between different enterprises, each specializing in making one or several products. In addition, we must put emphasis on developing new industries, and in this connection we must make breakthroughs in animal feed, food-processing, and packaging industries.

3. To succeed in the above-mentioned tasks, all departments concerned are requested to work hard in close coordination and to support one another.

Comrade Gu Xiulian's speech called for improvement of the work style of all government organizations. She said: We must carry out the principle of making corrections in the course of party rectification as proposed by the Central Commission for Guiding Party Rectification.

All departments, Comrade Gu Xiulian urged, must formulate their respective work plans for the new year and accomplish several tasks in a down-to-earth way. In addition to definite work targets, they must have concrete measures for making new contributions to the creation of a new situation.

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AGGREGATE ECONOMIC DATA

BRIEFS

GUANGDONG INDUSTRIAL PRODUCTION--The Guangdong Province's gross industrial output value in 1983 reached 30.48 billion yuan, an increase of 12 percent over last year and 6.6 percent more than the 1983 quota. Industrial production in the Shenzhen and Zhuhai Special Economic Zones increased by 85.9 percent and 29 percent, respectively. It is estimated that the profits of state-run industrial enterprises in the province will be 7 percent more than in 1982, the number of enterprises incurring losses will be reduced by 11 percent, and the total amount of losses will be reduced by 8 percent. [Summary] [HK110929 Guangzhou Guangdong Provincial Service in Cantonese 0030 GMT 10 Jan 84]

HENAN LIGHT INDUSTRY PRODUCTION--The province's No 2 light industrial department has achieved good results in developing new technology. According to statistics, from 1982 to 1983 the department carried out 31 key items of scientific research of which 2 won prizes from the Ministry of Light Industry, and 12 won provincial prizes. In the past 3 years, the province achieved an average annual increase of 9 percent in the total output value of the No 2 light industry, which now has 14 trades and manufactures some 6,000 products. [Summary] [HK110934 Zhengzhou Henan Provincial Service in Mandarin 1230 GMT 8 Jan 84]

CSO: 4006/227

ANHUI OFFICIAL VIEWS HOUSEHOLD CONTRACT SYSTEM

HK030949 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 11, 20 Nov 83
pp 57-59

[Article by Li Jiapeng [2621 1367 5570] of the Propaganda Department of the Anhui Provincial CPC Committee: "All-Round Contract With Households: An Advance in the Change of Production Relations"--revised in June 1983]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the system of contracted responsibilities with payment linked to output, that takes the form of all-round contract with households as the main, has been developing vigorously in rural areas in China. Much has been said about the introduction of this contract responsibility system. Now, the number of the people who have considered this system a "mess" is decreasing; but the view still exists that regards this system as "retrogressing." Even some of those who said that the system is "good" also have said that the "retrogression is worthy." Some theoretical workers said that because "production relations progressed too far" in the past and "surpassed the level of the development of productive forces," the only way to accord with the development of productive forces is to "retrogress."* In short, the system of contracted responsibilities with payment linked to output has been considered as representing "retrogression." This situation has become an important reason for those who have warmly supported the all-round contract with households to doubt this responsibility system. In fact, the introduction of the system of responsibilities with payment linked to output that takes the form of all-round contract with households as the main has represented a great historical change for the Chinese peasants in promoting socialist production relations. This system can in no way be termed as representing retrogression. Many of the people who once opposed the system have at last been convinced by the fact that over the past 3 years, agricultural production has increased drastically because of the introduction of the system of contracted responsibilities with payment linked to output. However, they are yet to be convinced theoretically. Therefore, it is an important task for theoretical workers to theoretically analyze in a correct way the history and the current situation of the movement of the contradictions between productive forces and production relations in rural areas in China.

To Define 'Surpassing' Is an Unscientific Theoretical Summary

Before we are able to correctly understand the history and current situation of the movement of the contradictions between productive forces and production

* "The Study of Historical Materialism," 1982 edition, Chinese Social Science Publishing House.

relations in rural areas, it is necessary first to correct the view of the so-called "surpassing." This view represents unscientific "theory" that has been widespread in theoretical circles in China and has been accepted by many people without being corrected. According to this "theory," the basic historical lesson in the development of the rural economy in China is that the production relations have "surpassed" productive forces. Therefore, those who held this view have considered the introduction of the system of contracted responsibilities with payment linked to output as "rational retrogression" and "necessary retrogression." Accordingly, the situation in which production relations "often surpass the level of the development of productive forces" is considered as representing "a feature, during the socialist period in China, of the form of the role of production relations that must accord with the nature of productive forces." In fact this theory is [word indistinct].

We say that the view of "surpassing" is not correct. This is so, because this view is contrary to the basic Marxist principle about productive forces and production relations. According to Marxism, productive forces represent the material content of social production while production relations represent social form of production. These two aspects are diametrically unified. A form should have its own content, and content should have its own form. During the different stages in the development of social production, people are united with the means of production through different modes and these two aspects are united in different modes. The theory which holds that following the completion of agrarian reform in rural areas in China, production relations once "surpassed" productive forces, is theoretically divorced from the materialist conception of history of [word indistinct]. It also denies the objective law that production relations are determined by productive forces. Marx pointed out with regard to this matter: "The new and more advanced production relations will not happen before the material conditions for their existence becomes mature in the embryo of the old society."^{*} History proved that violence and administrative powers can only destroy a kind of production relations, or produce a certain form of the lopsided development of production relations, or act as a midwife for new production relations; they cannot create new production relations. In fact, the so-called "surpassing" is neither "surpassing" nor "going to far"; it is just representing deviation. This view is based on the understanding that "working swarmingly" and "everybody eating from the same big pot" are considered as the products of socialism and communism. This view is premature and is caused by premature economic relations.

The view of "surpassing" is improper because it is contradictory to the historical development and reality of the rural economy in China. From the completion of agrarian reform until 1956, the whole economy was transformed into a socialist collective economy. The agrarian reform has been followed by the abolishment of private land ownership while the possibility of the emergence of polarization among peasants has been eliminated following their liberation. The factors for exploitation have been uprooted. All these represent a historical change in

* Marx: "Preface to Critique of Political Economy," "Selected Works of Marx and Engels," Vol 2, p 83.

rural areas in China. But as pointed out by the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," the transformation of agricultural cooperation was carried out too hastily since the summer of 1955 to result in an excessively simplified and monolithic form that has consequently "left over a number of problems for a long period." The "big debate about two lines" that was launched after 1957, the "Great Leap Forward" and the formation of people's communes in 1958, the "anti-rightist" campaign in 1959, "leftist" guidance, and arbitrary use of administrative powers, made the collective economy further depart from certain links of production relations. As a result, the collective economy deviated from its basic principles. These principles include the rights of equality enjoyed by laborers with regard to the means of production and the corresponding distribution according to labor. Later, measures were taken by the CPC Central Committee on a number of occasions to resolve the problems left over by agricultural cooperation. But these efforts were disrupted on several occasions by "leftist" guidance and the intentional undermining of Lin Biao and the "gang of four." In addition, the early concept of Soviet collective farming was always in a position in China to confine people's thinking and consequently people's ideology was under the yoke of this concept. The harm caused by "leftist" deviation has been concentratedly shown for quite a long period in the fact that the agricultural economy in China lopsidedly pursued what is "big in size" and "collective in nature," and blindly carried out merging to replace cooperation. Under the condition of productive forces, these measures have resulted in nothing but "working swarmingly" and "everybody eating from the same big pot." All these represent our basic historical experiences and lessons.

Why can't we call such "leftist" deviation "surpassing?" It is because, first, objectively speaking, it is impossible to realize "surpassing." Second, the so-called "surpassing" means that the works which have to be done in the future have been completed now. But such aspects as "working swarmingly" and "everybody eating from the same big pot" must in no way be carried out even in future. What is "leftist" in China is often integrated with certain remnants of feudalism and petty bourgeoisie egalitarianism. This situation has nothing to do with the so-called socialist road that "has gone too far."

Historical fact is that in our economic work we have made mainly "leftist" mistakes. The production relations in rural areas in China are characterized mainly by the existence of "leftist" fantasy and by regarding the "collective nature" of egalitarianism as the "collective nature" of communism. The productive forces are mainly characterized by "leftist" premature advance and blind guidance, these two aspects affect each other. Therefore, it is imperative to become aware of these problems, get rid of the ambiguous view of "surpassing," and accelerate the modernization program.

To Say 'Retragressing' Runs Counter to the Objective Reality of the Current Production Relations in Rural Areas

The system of contracted responsibilities with payment linked to output, which has been introduced widely in rural areas in China in the form of overall

contract with households, has corrected the "leftist" deviation of the collective economy in rural areas in the country. This system has broken away from the old concept of concentrated labor and payment on the basis of work points. This contracted responsibility system consequently has developed the socialist rural economy in the country into a new stage. This situation no doubt has represented an advance in the change of production relations in rural areas; it is groundless to say that this situation represents a "retrogression" of ownership.

We say that the introduction of all-round contract with households represents an advance in the change of production relations just because this contract system will enable laborers to integrate themselves even better with the means of production in the process of production. With this contract system, peasants are both laborers and managers. They bear equal responsibility for land and equally have the right to manage and use some of the means of production and fully embody the collective ownership of the laborers over the means of production. The implementation of the household responsibility system changed the loose link between laborers and the means of production and organically linked ownership and the right of use. It thereby achieved a union of rights, responsibilities and interests, caused the laborers who work on collective land to truly realize that they are the owners of that land and satisfied the demand for an appropriate link between the laborers and the means of production. Such collective ownership is worthy of the name.

We also say that the introduction of all-round contract with households is an advance in the change of production relations because this system has improved the relations between people in the process of production so that the broad masses of commune members really enjoy decision making powers. For a long period in the past, agriculture in China has been put under highly centralized administrative management control. With this control, there was no way for commune members to really become the masters of their affairs. As a result, the initiative of the laborers had been seriously hampered, causing stagnation in the process of economic circulation. Agricultural production unifies the process of natural reproduction with social reproduction and is subject to the influence of the targets of labor and natural conditions. Therefore, the results of labor to a great extent rely on the display of the initiative and creativity of the laborers. The responsibility system of all-round contract with households resorts to the relations of equal economic contract to replace the relations of purely administrative subordination. The process of defining, implementing, and meeting contracts is in fact the process of realizing the new relations among people. Therefore, it means that the laborers enjoy wider equality, democracy, and decision making powers in production. Following the expansion of the rights of commune members to manage their own affairs, the relations between them and cadres have become more close and amicable.

There is also another reason for us to say that the introduction of all-round contract with households is an advance in the change of production relations. That is, the introduction of this system has broken away from the long-existing egalitarianism to really turn distribution into a powerful lever of the whole responsibility system. The economic interest of the laborers is shown through distribution. Under the condition of a certain ownership of the means of production, whether production relations are in a position to promote or hinder

the development of productive forces can only be demonstrated mainly through the distribution link. The economy with collective ownership in rural areas in China is using the principle of distribution according to work, but this principle can only be truly realized through a proper distribution form. Marx said: "Any form of the distribution of the means of subsistence is nothing else but the result of the distribution of production conditions themselves."* Before the introduction of all-round contract with households, agricultural production was carried out "swarmingly" and consequently distribution was also carried out by "everybody eating from the same big pot." But the introduction of all-round contract with households has caused great changes to production relations that have consequently been followed by changes in distribution. Taken as a whole, the forms of the payment for labor of production teams in rural areas in China can be divided into the following three categories. First, rigid distribution on the basis of rigid workpoints or basic distribution with flexible appraisal. That is, labor payment is made on the basis or mainly on the basis of potential labor, which means on the labor capability (the extent of the skills of physical strength, technology, and labor) of the laborers. A defect of this form is that laborers might turn out for work but in fact not work. Second, partial contract with fixed work points. That is, the payment is made according to the volume of the labor made by laborers in the process of production on the basis of labor mobility. A defect of this form is that the quality of farm work may be neglected. Third, all-round contract with payment linked to output. That is, payment is made on the basis of frozen materialized labor, with emphasis on economic results and efficient labor. With this third method, the method of making unified distribution after individual labor volume is concentrated into collective total labor volume has been abolished to change receiving into giving. The advantage of this distribution method is that it is closer to the features of agricultural production, in a better position to reflect more accurately the actual contributions of laborers, and in a better position to demonstrate the principle of distribution according to work.

Because the system of all-round contract with households has correctly resolved the question of "powers," it is in a position to implement the cooperative economy of collective ownership. It has also correctly resolved the question of "responsibility" so that all laborers are equal in the process of labor. It has also correctly resolved the question of "interest" to truly demonstrate the principle of more gain for more labor. With these advantages, the system of all-round contract with households has improved the production relations of all aspects to emancipate productive forces in rural areas. As a result, laborers are willing to fully display their initiative, the means of production can be used still better, and scientific technology can be popularized more widely. Consequently, the initiative of these three main factors of productive forces has been tapped, and these factors have been integrated more closely and rationally to create the necessary condition for increasing agricultural output in a big way. In the history of the development of rural economy in China since the founding of the PRC, the formation of the collective economy that is characterized by collective labor with payment based on work points denied individual small peasant economy. The introduction of the system of

* Marx: "Critique of Gotha Program," "Selected Works of Marx and Engels," Vol 3, p 13.

contracted responsibilities with payment linked to output that takes all-round contract with households as the main form has negated the old management form and distribution form that are characterized by "working swarningly" and "everybody eating from the same big pot." These changes represent dialectics in the movement of production relations and the three stages in the development of the rural economy in China. The introduction of the system of contracted responsibilities with payment linked to output means that the agriculture in the country began to take the socialist road with Chinese features. The reasons why some comrades regard this progress as "retrogressing" or the "necessary retrogressing" are that they have confused the economy with public ownership that is run by households with individual small peasant economy, and considered the "three-level ownership by people's commune, production brigade and production team, with the production team as the basic accounting unit" and collective labor as representing the only mode of the socialist collective economy. This understanding is lopsided.

CSO: 4006/235

FINANCE AND BANKING

HEBEI OVERFULFILLS 1983 FINANCIAL REVENUE PLAN

HK110745 Shijiazhuang HEBEI RIBAO in Chinese 20 Dec 83 p 1

[Report by Ban Yuhe [3803 3768 3109]: "Hebei Fulfills the Year's Plan for Financial Revenue Ahead of Schedule"]

[Text] Up to 10 December, the financial revenue of the province stands at 3.439 billion yuan, 106 million yuan above the planned figure fixed at the beginning of the year, and an increase of 12.2 percent over the same period last year, thereby ending the situation in which the financial revenue of our province fluctuated and made little progress for 3 consecutive years.

Of this amount, the revenue from the industrial sector stands at 788 million yuan, which amounts to 108.6 percent of the figure planned at the beginning of the year, and which constitutes an increase of 3.3 percent as compared with the same period last year; the revenue from the commercial sector stands at 152 million yuan, which amounts to 95.5 percent of the figure planned at the beginning of the year, and which constitutes an increase of 28 percent as compared with the same period last year; and the revenue from industrial and commercial taxes stands at 2.39 billion yuan, which amounts to 101 percent of the figure stipulated in the adjusted plan, and which constitutes an increase of 7.9 percent as compared with the same period last year. A total of 14 prefectures and cities and 70 counties have overfulfilled ahead of schedule the financial revenue tasks assigned by the provincial authorities at the beginning of the year.

Since the beginning of this year, the leadership of various departments at various levels, with the overall situation in view, has grasped the work of financial revenue and duties and regarded it as a central point in the entire economic work, treated the fulfillment of the financial targets as a tough battle to be fought with all their strength, and persistently grasped the creation, concentration, and utilization of financial funds simultaneously. The first thing was to make every effort to increase economic results and to turn deficits into profits. With regard to those enterprises and units sustaining great losses, responsibility was affixed according to the trade and business systems, the leaders of these enterprises were asked to sign "acceptance of orders" guaranteeing the fulfillment of turning deficits into profits. The masses were also mobilized to formulate plans for turning deficits into profits at different levels. The second thing was to strengthen

the tax collection work and to vigorously organize teams for more revenue. The third thing was to develop the work of overall financial inspection and to enforce financial discipline. According to incomplete statistics, up to the present time, various places have discovered a total of over 178 million yuan which were used or kept in violation of financial discipline, and over 110 million of this amount can be retrieved; and in this respect, more than 66 million yuan have already been collected.

CSO: 4006/233

FINANCE AND BANKING

BRIEFS

RECORD SAVINGS DEPOSITS--Beijing, 13 Jan (XINHUA)--China's population of more than one billion averaged 88.5 yuan of bank deposits per person last year, 21.5 yuan more than the 1982 figure. According to the latest statistics provided by the People's Bank of China, at the end of 1983, total urban and rural savings deposits reached a record 89.2 billion yuan, 21.7 billion yuan more than in the beginning of the same year. Of the savings, 76 percent were fixed deposits. Thirty percent of the increased volume of total bank deposits came from savings deposits of urban residents. [Text] [Beijing XINHUA in English 0930 GMT 13 Jan 84]

BEIJING INDUSTRIAL PROFITS--Beijing, 30 Dec (XINHUA)--As of today, the Industrial Department of Beijing Municipality has turned in to the state 2.4 billion yuan of its profits, overfulfilling this year's profit delivery target by 49 million yuan and exceeding the 1982 delivery. [Excerpt] [OW110258 Beijing XINHUA Domestic Service in Chinese 1459 GMT 30 Dec 83]

CSO: 4006/227

DOMESTIC TRADE

PEASANT MARKET TRANSACTIONS UP 15 PERCENT IN 1983

OW091230 Beijing XINHUA in English 1134 GMT 9 Jan 84

[Text] Beijing, 9 Jan (XINHUA)--Business turnover in China's peasant markets in 1983 shot up 15 percent over 1982's 32.8 billion yuan, according to a preliminary estimate by the state administration for industry and commerce.

In the meantime, the total number of markets opened up by peasants in the countryside and cities has swelled from 44,775 in 1982 to over 46,000 at present, handling about 10 percent of the total retail trade of the country.

Great changes have taken place in the rural fairs, which account for about 90 percent of the nation's total number of peasant markets. In many places periodical fairs have become daily fairs and morning fairs and noon fairs now last the whole day. New towns have grown out of some rural market places. Tens of thousands of people a day gathered at some of the large ones in peak seasons. Not only farm and side-line products but also industrial goods and handicraft articles are traded at the rural fairs. Specialized markets have been formed for grain, meat and poultry, furniture and bicycles in some places. Catering services, repair and processing trades have also developed.

Markets for farm products in large and medium-sized cities handled wholesale trade in addition to retail sales, meeting the needs of specialized rural households in disposing of their products.

Facilities in the markets improved last year. Nearly half of the peasant markets in Beijing, Tianjin and a dozen other cities now have covered stalls.

CSO: 4020/055

FOREIGN TRADE

PRC EXPORTING NEW TECHNOLOGIES, DESIGNS, EQUIPMENT

OW152150 Beijing XINHUA Domestic Service in Chinese 1306 GMT 13 Jan 84

[By Reporter Li Zhaofen]

[Excerpts] Beijing, 13 Jan (XINHUA)--The Chinese nation has made major contributions toward promoting science and technology in the world down through the ages. It has now begun exporting many new technologies, designs, and equipment to foreign countries.

The well-known (Ampex) [an pei 1344 1014] Company in the United States has adopted our country's "Shanghai" brand deflection system for cameras and stopped using a similar product designed by an internationally well-known and reputed company. In 1982, when the principal designer of the new technology and senior engineer Zhao Qizheng visited the company, the company hung the Chinese flag to express its respect for and welcome to the visitor. The new product produced by the Shanghai Broadcasting Equipment Plant is one of the three principal parts for television cameras. It is smallest in size, lightest in weight, and most desirable in results as compared with similar products in the world today.

Japan's largest computer company Fujitsu Limited has imported computer software produced in China and considered the Chinese products as being of "extremely high quality" in technology after application.

According to incomplete statistics, China has in recent years applied for patent rights in foreign countries for 32 inventions and transferred technologies to those countries. The Beijing Nonferrous Metallurgical Design and Research Institute exported 40 kinds of technologies including excavation, dressing, smelting operation, and engineering design for industrial and mining enterprises in recent years.

China now exports a wide range of technological knowhow. In addition to metallurgical and computer software knowhow, China also exports new welding, textile and microwave communication knowhow, hybrid rice seed breeding technology and methods of producing anticarcinogens. All these technologies are up to world advanced standards at present.

CSO: 4006/233

FOREIGN TRADE

DEVELOPMENT STRATEGY OF SHANGHAI'S EXPORT TRADE PROBED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 4, 25 Aug 83 pp 5-10

[Article by Xu Xinli [6079 1800 4409]: "A Probe into the Development Strategy of Shanghai's Export Trade"]

[Text] The State Council recently granted more decisionmaking power to Shanghai Municipality in such aspects as utilization of foreign capital, import of technology, foreign trade and export of labor. This important policy decision has greatly encouraged and spurred Shanghai on. As the state bestows greater limits of authority on Shanghai, Shanghai must render greater contributions to the state. In this article, we will probe into some development strategies of Shanghai's export trade.

The Guiding Ideology and Goal of Shanghai's Export Trade

In his report to the 12th CPC Congress, Comrade Hu Yaobang pointed out: It is our firm strategic principle to carry out the policy of opening to the outside world and expanding economic and technological exchanges with foreign countries in accordance with the principles of equality and mutual benefit. We must speed the entry of Chinese products into the world market and vigorously expand foreign trade." He also said: "In our efforts for socialist modernization, we must take a self-reliant stand, relying mainly on our own hard work." Thus, the general guiding ideology for the development strategy of Shanghai's export trade should be to open to the outside world on the basis of maintaining independence, keeping the initiative in one's own hands and taking a self-reliant stand. Taking a self-reliant stand is not contradictory to opening to the outside world. In implementing the policy of opening to the outside world, we can enliven the economy at home and utilize international resources and the world market externally. Thus, the purpose of expanding external economic and trade exchanges is precisely to strengthen our self-reliant capacity and further enhance the development of the national economy. How should Shanghai develop further in opening to the outside world? This must be done in light of Shanghai's market conditions and by giving prominence to its strong points to offset its weaknesses, giving play to its superiority and making use of the strong points under the sky to complement its own weaknesses.

First, Shanghai is the largest industrial city throughout the country. It has over 300,000 scientific research personnel and three million industrial workers. It has a solid industrial basis and a satisfactory variety of departments. Coordination of complementary facilities can be carried out in a relatively convenient manner. The technological level is relatively high, and its products have attained a definite reputation both at home and abroad. The industrial output value constitutes about one-eighth of that of the entire country, and financial revenue constitutes about one-sixth of that of the entire country.

Second, Shanghai is our country's largest port and trading city and is one of the 10 largest ports in the world. The loading and unloading capacity constitutes about one-seventh of that of the entire country. In 1982, export volume constituted about 17 percent of that of the entire country. Linking up with the Chang Jiang in the hinterland, it has great water transportation potentials that are equivalent to 10 railway lines. Furthermore, the water is deep in the estuary of the Chang Jiang, and water transportation surpasses that of the estuary of the Rhine and the Maas at Rotterdam in Holland, the estuary of the Hudson River in New York in the United States and the estuary of the Thames in London.

In addition, Shanghai is also our country's largest monetary center, with convenient fund circulation. The economic zone at the delta of the Chang Jiang includes 10 cities, 57 counties and a broad hinterland. If it can bring its collective superiority into play through an integrated economic body, then its potentials for developing the economy and trade will be very great.

The above are all favorable factors for developing Shanghai's export trade. However, there are also some unfavorable factors. For instance, the equipment of many industrial departments is old and backward. Space is crowded. The harbor transportation capacity is approaching saturation. Industrial planning is irrational. There is a shortage of raw materials and energy resources. Thus, to promote Shanghai's export trade, we must take into consideration these market conditions and "carry out cooperation at home while pushing toward the outside" on the basis of giving full play to the superiority of Shanghai's industry, technology and labor forces. That is to say, the development strategy of export trade must have a foothold at home and at the same time have the whole world in view. Only in this way can we closely integrate the readjustment, restructuring, consolidation and improvement of Shanghai's economy with participation in the international division of labor and development of foreign trade in a planned manner.

The goal of the development strategy of Shanghai's export trade should be favorable to bringing about the development of the municipality's industrial and agricultural production and to enhancing the enterprise's technological transformation. Its scale and speed of development must correspond to the development strategy of Shanghai's social economy. In accordance with the goal proposed at the 12th CPC Congress to quadruple the gross value of industrial and agricultural output throughout the country by the end of the century, the gross value of foreign imports and exports throughout the country must increase from \$40 billion to \$160 billion. If import and export are basically in equilibrium, annual export value must reach \$80 billion. What then should be the scale and speed of development of Shanghai's exports?

For over 30 years, the speed of growth of Shanghai's export trade has still been relatively fast. Statistics show that, from 1953 to 1979, world trade increased 19 times, which showed an average annual progressive increase of 12 percent. From 1953 to 1980, Shanghai's volume of export increased 20.3 times, showing an average annual increase of 12.3 percent. This was higher than the increase by 18 times of export volume throughout the country, which was an average annual increase of 11.3 percent. Shanghai's growth was also a little faster than the world trade. After 1981, with the reform of the system of foreign trade, some commodities were exported separately from different ports. This caused Shanghai's foreign trade export value to drop for 2 consecutive years. However, the proportion of export of Shanghai's industrial products rose. In 1980, the export value of the port of Shanghai was \$4.2 billion (\$2.5 billion of which were exports of Shanghai's industrial products), which constituted 24 percent of that of the entire country. In 1981, the export value of the port of Shanghai reached \$3.8 billion (\$2.8 billion of which were exports of Shanghai's industrial products), which constituted only 18 percent of the whole country's export. In 1982, the original plan for export was \$3.9 billion. Only \$3.6 billion were actually fulfilled (\$3 billion of which were exports of Shanghai's industrial products), constituting only 17 percent of the whole country's export. But this is a temporary phenomenon that is brought about by the reform of the system of organization, and should not be a cause for worry. If we use as our base figure the average figure of \$3.8 billion for 1980 to 1982 (the constant price), then we must fulfill an export value of \$15.2 billion by the end of this century before we can accomplish the goal of quadrupling our export value. If we calculate according to the advanced targets, we must at least quintuple Shanghai's export value by the end of this century or must achieve even more, and the export of industrial products should constitute over 85 percent of the value.

In light of the specific situation in Shanghai, the speed of growth in exports in the first 10 years may be slower than that of the next 10 years. In the first 10 years, the primary tasks will lie in establishing a good foundation, accumulating strength, conscientiously summing up experience, strengthening the training of cadres and promoting close cooperation between industry and trade. Also, we will emphasize properly the export of a batch of easily salable products. Also, in the eighties, the economy in the capitalist world is still in a recession, market competition is acute and for a short period of time it will be difficult for Shanghai to carry out export on a large scale, too. If the annual progressive increase in the first 10 years is 8 percent, the export value in 1990 can reach \$7.8 billion. If the annual progressive increase in the next 10 years is 11 percent, then the export value by the end of this century will reach \$22.1 billion, which will be close to attaining the strategic goal of quintupling value. However, to reach the goal of guaranteeing a quadruple increase and striving for a sextuple increase, we will inevitably encounter many hardships. But, as long as we have a correct guiding ideology, have the common effort of the various parties, are good at utilizing the law of value on the world market, and give full play to the superiority of Shanghai, attaining the above goal is entirely possible. Compared to history, the above quota is still slower than the average annual progressive increase of 12.3 percent between 1953 and 1980. Compared to several major capitalist countries, this speed is also not that high; for instance, the United States spent 11 years, England spent 9 years, West Germany and France spent 8 years and Japan spent 7 years to reach the goal of quadrupling their export value.

The Strategic Focus of Shanghai's Export Trade

1. We Must Readjust the Structure of Export Commodities

For many years, the structure of the export commodities in Shanghai has been readjusted continuously. In the past, we took the export of agricultural byproducts as the key. Now, we have changed to exporting primarily light industrial, textile and handicraft industrial products. In 1953, the export of industrial products only constituted 37 percent of the total. In 1981, the export of industrial products had already risen to 77.8 percent, among which light industrial and textile products constituted 57.6 percent, while heavy industrial products in the electromechanical and chemical industrial fields constituted 20.2 percent. In order to enable the export products of Shanghai to meet with the trend internationally and to develop amidst competition, we must continue to carry out the "renovation" of products. That is, while consolidating the traditional export goods, we must raise in a planned manner the export commodities from medium low grades to medium high grades, develop in the direction of knowledge concentration, technical concentration and high additional value, such as the export of electromechanical facilities, petrochemical products, electronic instruments, high-grade construction materials, machines and ships. Statistics show that the annual export value of electromechanical products of various countries constitutes about one-third of the gross export value in the world. In 1981, it was \$650 billion. Japan alone exported electromechanical products that were worth \$102.7 billion. Our country, however, only exported about \$1.7 billion. That year, the Shanghai Mechanical Equipment Import-Export Co exported only \$63 million. Thus, we can see that Shanghai has very great potentials for export.

At the same time, we should also select several easily salable products that have high reputation and large sales volume as the targets and emphasize supporting them and thus enable them to stand undefeated in international competition. For instance, the export products of the United States and Japan are often composed of 10 major export products. Shanghai, on the other hand, has very few large, and not too many medium and small, easily salable export products either. For instance, in 1981, among the 2,033 products of the major category, only six had an export volume of more than \$100 million, seven had an export volume of more than \$50 million, and 72 had an export volume of \$10 million (in 1982, 27 products were on the rise). Also, easily salable export products are not immutable, and renewal and replacement of these products are extremely obvious. For instance, Japan primarily exported light industrial and textile products in the fifties. In the sixties, the proportion of exporting "capital-intensive" products rose. Since the seventies, the export of heavy industrial products occupied a position of absolute superiority. Among these products, the proportion of electromechanical equipment and complete sets of facilities greatly increased. The export of complete sets of facilities alone was over \$10 billion annually. If the categories of easily salable products exported by Shanghai can gradually shift from light and textile industries in the past to heavy industry involving machinery, electrical equipment and instruments, then that not only can give play to the technological superiority of Shanghai and systematically apply our scientific and technological knowledge to production, but will be favorable to shifting the industrial structure in the direction of "economizing energy" and bringing about high "added value." That will also be helpful to promoting export value.

II. We Must Consolidate and Expand the Export Market

Shanghai has already established trade relations with more than 160 countries and regions. Among these countries and regions, some 40 countries and regions, including the East European bloc, Western Europe, North America, Japan, the Middle East, North Africa and Hong Kong and Macau, constitute over 75 percent of Shanghai's gross export value. However, it is not necessarily better to have a wide dispersal of export markets. We should concentrate a few commodities that have high adaptability and competitive capacity on a few major markets. For instance, Japan and the United States are our country's major export markets. But the import volume from Shanghai into Japan and the United States constitutes a very small portion of the total. For instance, in 1981, what was exported from Shanghai only constituted 0.12 percent and 0.2 percent of the gross import volume of the United States and Japan respectively. These markets embody very great potentials for Shanghai's export. Some people will say, although the markets in the United States and Japan are large, they are saturated and it will not be easy to push into them. Of course, to push into these markets will require great effort. But it is not impossible to do so. For instance, the monopoly capitalists in the United States had monopolized the domestic market for small cars and electrical appliances. In the late seventies, however, Japan pushed its way in. Small Japanese cars constituted one-fifth of the domestic market in the United States. Japanese colored televisions, tape recorders and cameras also took over. Each year, the United States had to import more than \$200 billion of products. With the exception of one-third of the imported products being high-grade consumer products and one-third being small cars which we could not supply, there are still more than \$80 billion of products that are the very things we can export. The key lies in the fact that our products must be marketable and our prices appropriate. Also, Chinese goods, especially Shanghai goods, are a definite attraction to the United States. Not long ago, the 1982 World Exposition was held for 6 months in Knoxville, Tenn. Attending the exposition were 10 million people. The Chinese exhibition was the most popular one there. The sales department of the Chinese exhibition did such good business that the people in charge had to temporarily airmail Chinese goods through Hong Kong. The United States imports more than \$20 billion of light industrial and textile products every year. We are basically not part of that. In the future, we must emphasize making a breakthrough in its market for light industrial products.

Besides consolidating and developing existing markets, Shanghai should also actively open up new markets. For instance, the countries and regions in the Middle East and North Africa have exchanged their petroleum for a lot of U.S. dollars. The growth of the people's income there is fast. Furthermore, these countries and regions are launching economic construction. Their market capacity is large and their limitations are few. But the proportion of Shanghai's exports to these countries constitutes only 0.4 percent of these countries' import volume. Shanghai's light industrial and textile products are quite welcome by them. For instance, in the first half of this year, the Shanghai trading group went to the Gulf region to do business, and very quickly concluded \$20 million in transactions. Shanghai can also contract construction projects in these countries in order to export labor force and construction materials. In this way, it not only can partially solve the employment problem, but also

can bring about more foreign exchange. At present, many Latin American countries are whipping up an upsurge in industrialization and their international trade is developing rapidly. With regard to Shanghai, there are bright prospects for opening up the Latin American market. The problem is our news feedback is not working and our trade methods are rigid. As a result, we often lose our fine opportunities. For instance, in 1980, we imported more than \$100 million of cotton from Guatemala, Salvador, Columbia and Paraguay, but only had several \$100,000 of export business with these countries. Thus, in the future, we must learn how to let imports bring about exports, let imports and exports echo each other and actively open up the export market in Latin America.

From a long-term point of view, expanding Shanghai's export to the Third World countries will be favorable to gradually converting Shanghai's product structure from light industrial and textile products to machinery, electrical equipment and other instruments, thereby obtaining a favorable balance of trade. For a relatively long period of time, we should take the export of labor-concentrated products, such as light industrial, textile and handicraft products, to the developed countries as the key in exchange for the equipment and technology which we need. The market strategy for the near future should be to take the United States and the Middle East as the focal points of breakthrough.

III. We Must Popularize the Sales Strategy of Having a Definite Object in View

Modern marketing is a comprehensive marketing which not only involves simple sales promotion, but also includes market survey, product design, packaging and trademark, advertising, product sales, service after delivery of goods, payments, pricing and long-term planning, with market survey as the core of sales strategy. Only when we know ourselves as well as others can we fight and not lose. In this respect, Japan has made pretty outstanding accomplishments. Nine big trading companies have established thousands of branch organizations in more than 100 cities all over the world. The volume of trade handled by them constitutes 10 percent of the world's volume of export trade and more than one-half of Japan's export trade. Their information network is spread all over the world and their news feedback is swift. For instance, Japan has more than 30 people who are involved in market research at the Toronto trading center in Canada. They promote the sales of more than 1 million bicycles each year, while only some 200,000 bicycles manufactured by Toronto are sold. Thus, Shanghai should strengthen the work of information survey, establish a Shanghai International trading center without delay, set up branch organizations or dispatch permanent delegates to the key cities, and actively coordinate with our embassies and consulate generals abroad to do a good job of survey and provide information for Shanghai at all times.

Paying attention to advertising and publicity is of great benefit. But often we are afraid to spend advertising fees and do not carry out publicity. As a result, because such countries as the United States and Canada do not understand Shanghai and feel that China or Shanghai can only produce some simple commodities, we have lost many opportunities in expanding trade. For instance, with regard to Shanghai's food products, tea leaves and some light industrial products, if we can make improvements in advertising and publicity and in packaging, we not only can expand sales, but can sell these products at higher prices.

In order to promote the sales of commodities, we must also select our key agents properly. At present, Shanghai has 18,000 sales agents, which seems a bit more than necessary. If we promote the sales of several of the same type commodity in one market, we will invite competition among these agents if there are many of them. As a result, not one agent will concentrate on promoting sales for us and we will not be able to set up a sales network. Thus, we must select properly those representatives that have good credit and strong business capacity, adopt such means as exclusive right to sell, sales on commission and sales through agents, establish long-term cooperation with them, protect their rights and interests, and not easily upset the sales channels.

We should also attach importance to the issue of pricing. In 1982, the port of Shanghai was unable to conclude transactions for 12 major commodities for six consecutive months and for 11 commodities for three consecutive months. It was unable to conclude transactions for 45 commodities in the month of September.

Although the depression on the market was an important reason, nevertheless the above situation was related to the fact that while prices of commodities on the international market have generally dropped, prices for Shanghai's major export commodities have, for over 6 months, "remained unchanged." In the future, within the realm of possibility, we should make suitable adjustments of the price range and enable our country's export commodities to adapt to the changes of the law of value on the international market. In short, marketing is a special branch of science. We must conscientiously study sales strategy, adopt diversified business methods, tap new sources and promote Shanghai's export trade to a new high plane.

We Must Adopt Several Strategic Measures in Developing Shanghai's Export Trade

After we have ascertained our strategic goal and strategic focus, we must also stipulate practical and realistic strategic measures in order to ensure the realization of the strategic goal. The major measures are as follows:

1. We Must Actively Utilize Foreign Capital and Import Technology

In his report to the 12th CPC Congress, Comrade Hu Yaobang pointed out: "We must actively import advanced technologies suited to our national conditions, particularly those helpful to the technical transformation of our own enterprises, and strive to absorb and develop them in order to promote our production and construction." To formulate a benign cycle in Shanghai's export trade, we must utilize foreign capital properly and do a good job of importing technologies, as well as actively launch such flexible trade activities including processing of imported materials, assembly of imported parts, compensation trade, cooperative production and leasing and joint ventures. In this way, not only can we integrate export trade with the tapping of potentials, renovation and transformation of old factories, but can also integrate export trade with the expansion of Shanghai's commodity exports and with the gradual change of the commodity structure.

In utilizing foreign capital and importing technology, we can supplement the inadequate funds of this municipality, gain time, avoid tortuous roads, speed

up the renewal of fixed assets, raise the management level of old enterprises, and enable Shanghai's export commodities to score success through newness, quality and speed. For instance, the 13 sets of equipment imported for the first-stage construction of the Shanghai Petrochemical General Plant have given full play to their roles in enriching the domestic market as well as expanding export trade. Or, for instance, for over 3 years, more than \$15 million of the new equipment was imported for the Shanghai silk industry. This has increased the export capacity of high-grade products. In sum, the strides taken by Shanghai in these respects were not big. With the expansion of Shanghai's decision-making power to examine and approve funds in the utilization of foreign capital and in importing technologies and equipment, its decisionmaking power to examine and approve the use of foreign exchange, the retention of foreign exchange and the self-raising of foreign exchange to import technologies and equipment, and its decisionmaking power to examine and approve the assembly of complementary facilities within the municipality, its pace will be greatly accelerated. As long as the prospects are selected accurately, the funds are utilized appropriately, the results are obvious and the repayment of principle with interest is guaranteed, any of the above methods can be utilized.

II. We Must Establish the Bases for Export Commodities

To occupy the international market, beside having marketable products, we must also establish the bases for export commodities so that the supply of goods will be stable and normal. To establish the bases for export commodities, we must not only take into consideration present needs, but must also have long-term plans. We must not only consolidate and promote existing export bases, but must also actively develop and build new export bases. In establishing the bases, we must persevere in the principle of the leading role of self-reliance and the secondary role of support by the foreign trade departments. At present, Shanghai's textile system alone has 48 special factories that primarily serve export. Shanghai also utilizes fully the production capacity of the suburban counties, farms and neighborhoods to vigorously develop new channels for the production of export commodities. In the future, the production bases should develop still further and vigorously develop marketable commodities so as to ensure stable and balanced supply for export on a long-term basis. The industries that face the direction of export must implement the economic policy of awarding exports, and must not take output value and the amount of profits, large or small, as the principal targets of assessment. Instead, they must take the rate of state purchasing for export, the quality of the products, the rate of fulfillment of export agreements and the product rate of earning foreign exchange as the primary targets of assessment. We must pay special attention to the economic results of the export bases, and must definitely not let things drift, so as to avoid such phenomena as stockpiling, waste and losses.

III. We Must Actively "Boost Exports By Imports"

In order to fully utilize Shanghai's technological superiority and superiority of labor force, and overcome such shortcomings as inadequate sources of capital, "maintaining exports with imports" is a direction for expanding export trade. At present, in the export goods procured by this municipality, the proportion of "maintaining exports with imports" is becoming greater and greater. In 1976, it was 46 percent. In 1977, it was 47.5 percent. In 1978, it was 52 percent.

In 1979, it was 52.1 percent. In 1982, it was 54 percent. This proportion will continue to rise in the future. On the average, with the use of \$1 of imported goods and materials, we can create \$1.30 in foreign exchange. Practice has proved that "maintaining exports with imports" is in line with the reality of Shanghai. For many years, this has accumulated a large amount of foreign exchange and financial revenue for the state, imported advanced technologies, utilized foreign sources of capital, supported production, expanded employment, increased sources of goods and enriched the market. The raw materials and finished products that "maintain exports with imports" are closely linked with the international market. The pricing of export commodities must be readjusted in accordance with the change in the prices of raw materials on the international market. "flexibility" is rational, and "inflexibility" will make us suffer. The phenomenon of the failure of the units that imported raw materials to link up with the production units and export units had been unfavorable to our utilization of the law of value on the international market, and had been unfavorable to the mobilization of the enterprise's enthusiasm in serving export trade. It may be better to implement the system of import and export agencies. That is, the foreign trade units will handle both the import of raw materials and the export of commodities in the case of the export commodities that are processed from imported raw materials. The foreign trade units will charge commission. The enterprises that produce export commodities can include in their unified accounting the cost for importing raw materials and the export sales price and shoulder full economic responsibility. This will be favorable to giving play to the enterprise's enthusiasm.

IV. We Must Raise the Economic Results of Export Commodities

Raising economic results means to produce more products that are needed by society, realize their value and use value on the international market and raise the results of export trade with the least possible labor consumption and material consumption. The present urgent task should be to actively raise product quality, increase color, design and variety, and pay attention to the life cycle and renewal and replacement of products. Every year, Shanghai exports 80,000 pieces of cotton yarn, over two million bolts of grey cloth, 11 million meters of white fine silk. But the rate of creating foreign exchange for cotton and the others was not half as much as the rate of creating foreign exchange through exporting cotton in Hong Kong. If we increase the sophistication in processing, we can increase income by a big margin. If the 21 X 21 yarn grey cloth undergoes machine embroidery and hand embroiders and is processed into tablecloth, drapes and mattresses, the rate of creating foreign exchange can be quadrupled. Every year, Shanghai exports 200 million meters of polyester cotton. The price for grey cloth is \$0.485/meter, bleached cloth is \$0.52/meter, cotton print is \$0.69/meter, colored cloth is \$0.74/meter. Yet, Shanghai exports mostly grey cloth and bleached cloth. Cotton print constitutes only 5 percent. Colored cloth constitutes very little, too. We must change this situation. With some products, a little bit of processing will raise their results. In 1981, Shanghai exported 500,000 sheets of yellow wolf skin. Each piece sold for \$3.82 and 75 pieces of wolf skin will make a coat. For instance, a women's long overcoat will sell for \$487. This way, we can increase our exchange 70 percent.

The lack of variety in color and design will also directly affect foreign transactions and lead to a drop in exports. For instance, after the four factories in Shanghai which produced alarm clocks were merged, they reduced the 15 varieties of alarm clock to six varieties. Although the plant has become larger after merging, the products have become more monotonous, and have failed to meet the needs of the international market. In 1979, 470,000 alarm clocks were sold to Australia. In 1980, only 30,000 were sold.

Whether the commodity quality is good or poor not only affects economic results but also affects the country's reputation. Statistics show that in 1982, the various import-export companies of the Shanghai foreign trade system made 310 items of reparations to foreign countries, with a total of more than \$1.79 million. Sixty-seven percent of the total figure was compensation for products that were of poor quality or that fell short of specifications. This constituted 94 percent of the total amount of reparations made. For instance, 15,000 dozen of blended woolen sweaters were transported to the United States and \$137,000 was paid in reparation for damage by grease. Because of the problem of quality of the cloth hats that were exported to a company in Holland, the reparations that were made were as high as 50 percent of the payment for the goods. The issue of quality is definitely not a matter of small concern. Currently, the various capitalist countries have set up layers of nontariff barriers. However, they primarily aim at limiting quantity and not quality. If we do not make a staunch breakthrough in quality, we will have difficulty expanding exports. The reason why Japan's commodity competitive capacity is so strong is because the Japanese people regard quality as their life and emphasize it as a matter of paramount importance. They say that "quality is the permit to the world" and "quality and variety are the basic factors for the existence of a factory." We should draw our reference from these viewpoints. Furthermore, when we have signed a contract for concluding transactions, we should "respect the terms of the contract and keep our promise." This is an important principle in our foreign trade. We must not neglect quality and hanker after profit. In the future, we should set up "a product quality permit system." This means that the products must go through technical appraisal and will only be exported if they meet the criteria and are given permits for export. Otherwise, they will not be able to go through customs. In addition, we should also attach importance to packaging. Packaging not only will affect quality but will be able to expand sales. For instance, the packaging for "Shanghai Ginseng Honey" adopts a gift-packing style with a colored photograph showing how to take the honey. This has a unique style. A United States businessman placed an order for 600,000 boxes, which entered the United States market for the first time, creating more than \$1 million in foreign exchange. In the future, we should change the method of not calculating output value in packaging, so as to encourage everyone to do a good job of packaging. Other necessary measures to raise economic results include raising the rate of executing contracts, doing a good job of maintaining a comprehensive balance in imports, sales and storage, speeding up capital turnover, lowering reserves and economizing management expenses.

V. We Must Persevere in the Principle of Unity in External Work

At present, the competition on the international market is acute. We must not export everything all at once. We should persevere in the principle of unity in external work. In the previous period, as a result of the mutual cut in pieces because of competition in sales among the various companies and enterprises of the various ports or this municipality, "our riches were drained." For instance, originally the situation of the market for exporting tractors to Thailand was very good. But because there were 34 companies at home that set up their own sales commissioners and sales agents in Thailand, these companies were in mutual competition. As a result, the prices dropped disastrously. After Thailand imported the tractors, it made 25 percent profit by simply stripping and reselling a tractor. The Shanghai Pearl Cream was extremely popular in the United States and the sales volume was very big. But because of the competition among the light industrial, handicraft and native and livestock product companies, the channels were divided, the product brands were too numerous, and the businessmen involved in import did not know what the real product was. As a result, the businessmen did not dare import the product and the consumers did not dare buy the product. We should concentrate our effort in solving this phenomenon of confusion in which everyone is going one's way, and stipulate some systems accordingly. For instance, clearly draw up division of labor in management for the various companies, and strengthen coordination and management over commodities that cut across companies and fix the lowest export prices; strictly implement the trademark system, prohibit the random use of imitations, and hold violators economically responsible. The sales commissioners and sales agents must make unified arrangements. From now on, only by persevering in the principle of unified planning, unified policy and alliance in external work can we continue to improve the competitive position of our country's export commodities in the international market.

VI. We Must Speed Up the Training of Skilled Personnel in Foreign Trade

Skilled personnel form the basis for developing foreign trade. Without a foreign trade rank that embraces a high sense of consciousness toward policy and a mastery in foreign languages and business, it will be impossible to do a good job of or vitalize our foreign economic work and trade. Thus, we must strengthen the training of skilled personnel in foreign trade from the high strategic plans. In view of Shanghai's foreign trade rank, whether in quantity or in quality, we must bring about development and promotion on a large scale. We must integrate the general training in rotation with key promotion of our present foreign trade rank, and integrate short-term arrangement with long-term planning. The institutions of higher learning in Shanghai that have the conditions to do so should actively set up foreign trade vocational classes and training classes in rotation or nighttime universities. The foreign trade system can run universities, nighttime universities and training classes in rotation for workers that are or are not divorced from production. The municipal people's government also can coordinate with the forces in the various aspects (including social forces) to hold special topic seminars at regular intervals in order to train higher level skilled personnel who embrace the ability in comprehensive analysis and the ability to make policy decisions. It can also strive to get concerned UN organizations to train foreign trade

management personnel for our country. In order to bring forth more skilled personnel rapidly, the municipal people's government is adopting active measures in preparation for the establishment of a complete foreign trade educational system that spans primary, secondary and college education and actual work posts. It will first select 100 primary schools and 20 secondary schools where basic lessons in foreign trade will be held. In addition, it will run preparatory classes in foreign trade in the high schools. These are all new measures in speeding up the training of skilled personnel in foreign trade. In short, it is necessary to train skilled personnel in foreign trade on many levels, with many specifications and a variety of means, so that there will be a breakthrough in the "investment in intelligence," thereby establishing a solid foundation for creating a new situation in Shanghai's foreign trade.

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CSO: 4006/031

FOREIGN TRADE

LIAONING SEEKING MORE FOREIGN INVESTMENTS

OW101140 Beijing XINHUA in English 1040 GMT 10 Jan 84

[Text] Shenyang, 10 Jan (XINHUA)--Liaoning Province in northeast China is looking for foreign funds to finance 200 new technical projects this year and the next, according to Song Zhixin, director of the provincial committee of foreign economic relations and trade.

Liaoning, one of China's leading heavy industrial centers, used 200 million U.S. dollars between 1979 and 1983 through processing and, assembling supplied parts, compensation trade, joint ventures, co-production, leasing, bank loans and buyer's credit advanced equipment was imported for 500 projects and 420 factories were renovated. [sentence as received]

Song Zhixin said the newly imported equipment will mainly upgrade medium and small enterprises of the machine-building, metallurgical, electronic, petrochemical, textile, building material and light industries.

To further expand its foreign trade and economic relations with other countries, the province is introducing advanced equipment to update the harbors of Yingkou, Dandong, Huludao and Dalian in particular.

Before the end of 1985, the Dalian harbor is expected to complete a wharf for sundry goods and grain, and build a coal terminal and a containerized dock.

An expansion project for the Dalian airport will be completed this year to accommodate large international airliners. In addition, a 20,000-line program-control automatic telephone switchboard will be installed this year in the port city, and a 960-channel microwave communications circuit linking Shenyang and Dalian and a 360-channel coaxial cable are scheduled to be completed.

Construction of a service building for foreign business firms and a tourist hotel has started in Dalian.

CSO: 4020/055

FOREIGN TRADE

PRC BUILDING MORE HOTELS FOR FOREIGN TOURISTS

OW161952 Beijing XINHUA in English 1723 GMT 16 Jan 84

[Text] Tianjin, 16 Jan (XINHUA)--China's tourist hotels added 6,769 rooms in 1983, 14.34 percent more than in 1982, according to Wang Yueyi, deputy director general of the national tourism administration.

Addressing a national conference on tourist hotels which opened here today, Wang said China now has 318 hotels for foreign tourists with 52,400 rooms and 123,800 beds.

In 1983, China received nearly two million visitors, including overseas Chinese, compatriots from Hong Kong, Macao and Taiwan, foreigners of Chinese origin and foreign tourists. The number of foreign tourists came to 872,500, a rise of over 14 percent over 1982, according to preliminary figures released by the administration.

Work began in 1979 on a number of new tourist hotels across China to cope with the increasing number of visitors. The Lijiang Hotel at Guilin in Guangxi, the Yanjing Hotel in Beijing and the Xian and Shanghai hotels were built with funds from the central and local governments, delegates said.

The Zhongshan Hot Springs Hotel, the Jinling hotel in Nanjing and the Baitiane (White Swan) Hotel in Guangzhou were built with foreign investment and are managed by Chinese personnel.

The Zhuhai Shijingshan tourist center and the Shenzhen Donghu hotel in in Guan-dong, and Jianguo, Lidu and Great Wall hotels in Beijing were built and are managed jointly by Chinese and foreign firms. All use imported equipment.

Old hotels were also remodelled and expanded to improve services, delegates said.

CSO: 4020/055

FOREIGN TRADE

BRIEFS

HUBEI EXPORT BUSINESS--In 1983, the province achieved new results in its foreign trade and economic work. By mid-December 1983 the province overfulfilled its export target for the year by 9.9 percent, an increase of 11.3 percent compared with 1982 figures. The province dispatched 31 groups abroad to make business inspection and hold talks on business cooperation with foreign countries, and also received some 500 manufacturers from 25 countries and areas. A total of \$40 million in foreign funds were used by the province last year, exceeding the total sum of foreign funds used in the previous 4 years. The province also made a good start in executing foreign contracts and providing labor service to foreign countries, with the sum of signed contracts with foreign countries reaching almost \$200 million and undertaking 16 projects involving foreign economic aid in 11 countries. The province is also doing its utmost to make arrangements for 9 projects with the United Nations or involving bilateral free aid to be executed in the province.

[Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 5 Jan 84 HK]

CSO: 4006/233

GENERAL

FOREIGNERS VIEW CHINESE ECONOMY

HK090231 Beijing RENMIN RIBAO in Chinese 31 Dec 83 p 6

[Report: "Steady Advance of China's Economy Draws Attention"]

[Text] Editorial Department: Please tell us about how relevant people in other countries view China's economy.

Lin Jun [2651 6511] and Yao Li [1202 4530]: "Some Belgian friends and some EEC officials believe that the yearly growth rate of China's gross national produce may reach 5 percent, and this will be "an extraordinary figure" under the present condition of a worldwide economic recession and indicates that China's economic growth is "remarkable" and "unique" in the present world.

Some friends also pointed out: Since China's economic readjustment has not been accomplished, some problems still exist in management and operation efficiency. In their view, the economic growth rate in China will be higher if management and operation efficiency can be enhanced as quickly as possible.

Chen Yicun [7115 2011 2625] and Hong Lan [3163 5663]: In recent years, most developing countries have been deeply affected by the economic crisis and are still mired in a difficult situation. However, China can overcome difficulties and maintain steady growth. This attracts notice in the world. Some UN publications and reports have given prominence to China's achievements in economic construction in recent years.

Representatives in UN organizations, especially those from Third World countries, always express their admiration of and praise for China's achievements in economic construction. They agree that these achievements are the outcome of China's present policies or readjustment, restructuring, and opening up to the outside world on the basis of adhering to self-reliance and independence. Some people told the reporters: China's open-door policy is correct and democratic and is in the interest of her development. China's experience deserves being followed by other developing countries.

Faluke Subuhan [3127 7626 0344], 5685 0592 3352], former chairman of the Group of 77, remarked: China has consistently and sincerely supported the group of 7 [as received]. China's support has helped strengthen South-South cooperation and the economic development of the Third World.

CSO: 4006/227

HONG KONG MEDIA ON CHINA

BRIEFS

MACAO AIRPORT PLAN 'SHELVED'--Macao will not build an international airport until it gets approval from China, said its governor, Rear Admiral Almeida e Costa. He was speaking before leaving for Manila last week. Admiral Costa, who called the airport project "a dream of General Melo Egidio" said General Egidio in 1981 held a feasibility study into the airport. The airport controversy became more heated last December when the Chinese inaugurated their heliport in Zhuhai, which is only 10 minutes by car from the Macao-China border. A section of the Portuguese press opposed the plan, and several newspapers pointed out the dangers of having four airports located so close to each other. They were referring to Kaitak in Hong Kong, White Cloud in Guangzhou, the heliport in Zhuhai and the planned Macao airport. Admiral Costa said in October last year he had asked China for its view but there had been no reply. He said Macao was no longer interested in building an "international and transcontinental airport--not even a small one." Governor Costa said: "I have said that Macao will not spend any more money until all problems are resolved--not even for a small airport." [Text] [HK110224 Hong Kong HONG KONG STANDARD in English 11 Jan 84 p 1]

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